



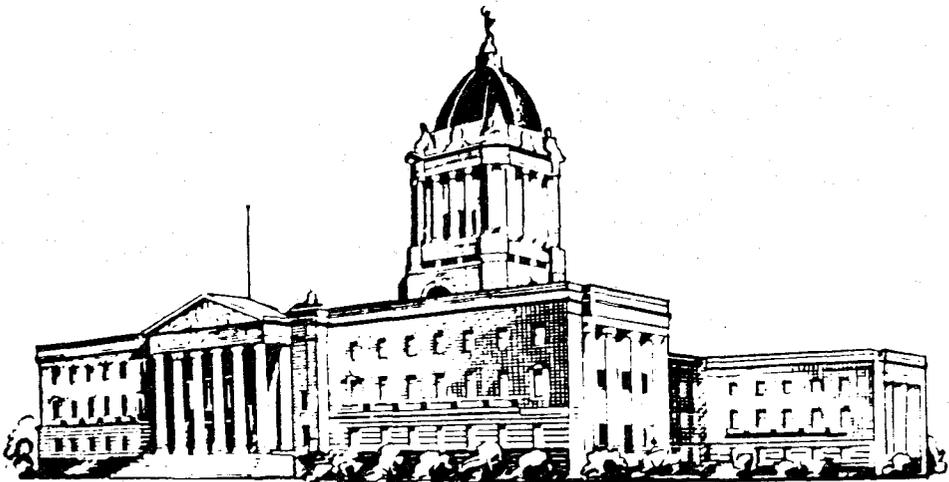
Legislative Assembly of Manitoba

HEARINGS OF THE STANDING COMMITTEE

ON

LAW AMENDMENTS

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



8:00 p.m., Thursday, April 8, 1976.

THE LEGISLATIVE ASSEMBLY OF MANITOBA
STANDING COMMITTEE ON LAW AMENDMENTS
8 p.m., April 8, 1976

Chairman: Mr. William Jenkins.

MR. CHAIRMAN: The Committee will come to order. First delegation we have this evening is the Winnipeg Council of Self Help. Mrs. Paulette Murphy is substituting for Audrey Delaronde. Mrs. Murphy.

MRS. PAULETTE MURPHY: Mr. Chairman, members of the Committee. I would like to say that I'm here tonight representing not only the 250 members of the Council of Self Help but also the 300 to 400 tenants on low income in Winnipeg who have contacted me within the last year with very severe problems. On behalf of all of them we would like to commend the government of this province for the measures that they are proposing to take to control the exorbitant rent increases that have been imposed on tenants. These have most severely affected people on low and/or fixed incomes. Having heard nothing but criticism of Bill 19 from landlords one might assume that the tenants are either not concerned enough to speak up or are against the proposed legislation. This is not the case. We have received many calls from tenants who are not willing to publicly express their support, simply because they fear retaliation from landlords, some of whom have already voiced their threats.

We have been hearing so much about landlords who claim that they are just barely breaking even. One might be led to believe that they have been in the business of renting out accommodations for humanitarian reasons only, but common sense would indicate that there must be some financial benefits to be gained or else why would they stay in the business. Speaking from the tenants point of view, over the years, since the early 1950's, we have seen landlords have a free hand in establishing rents, and far too many have taken full advantage of it. In the past two years alone, most tenants have been subjected to more frequent and larger rent increases than ever before. Complaints from tenants who have suffered as many as five rent increases in the past eighteen months are not uncommon. These increases varied from a low of \$5.00 a month to a high of a \$100 a month and may I say that the majority of these complaints, the rent increases, were from \$30.00 to \$60.00 a month. The largest increases reported came into effect between the months of June '75 to October '75. Could this have been caused by the fear of rent control legislation? Can those rent increases truly be justified by the landlords? Are they fair to the tenants, when one looks at the conditions under which so many are forced to live and the problems they encounter. A few more points which we feel are worth mentioning.

1. Whenever government pensions, such as old age pensions, have been increased, rents are increased accordingly. Therefore, the only ones who enjoy the benefits, are the landlords.

2. A number of rental accommodations are not fit for human habitation and should be condemned, yet landlords are still renting them out for fairly high rents.

3. Landlords who rent accommodations to families on social assistance claim they can't recover the cost of damages caused by tenants. We might be more sympathetic if we were not also aware of the fact that most of those landlords are charging as high a rent as they feel the welfare department will approve, regardless of the condition of the premises.

We question the validity of all these claims, when one considers the condition of these premises at the time that the tenants take possession. And if any of you gentlemen read the article in the Free Press tonight I think it more than substantiates what I have just said. Tenants in some older apartment blocks have been refused insurance coverage on their personal possessions, because the building is considered a fire hazard; they are risking the loss of everything they own as well as the loss of their own lives. When tenants are spending from 40 to 50 percent of their income on rent, it is time for the government to take action. Without it, we may find ourselves having to choose between feeding our families or having a roof over our heads. We urgently need some protection against further unjustified rent increases, and this is what we ask of the government. Thank you.

MR. CHAIRMAN: Thank you, Mrs. Murphy. There may be some questions some of the members of the Committee may wish to ask. Are there any questions? Hearing none, thank you . . ., Mr. Turnbull.

MR. TURNBULL: Mr. Chairman, I did have a question with relationship to point 4 on Page 3 which indicates that buildings that are a fire hazard cannot be insured, and the tenants cannot insure the goods in those rented accommodations because the building is a fire hazard. Is this a new development or is this one of long-standing?

MRS. MURPHY: No, this has been going on for quite a number of years. As a matter of fact, the tenants in the Fort Garry Court for one, did not have any coverage on any of their possessions for that reason.

MR. TURNBULL: Do you know if this applies to individual accommodation, individual houses, or is it just to apartment dwellings?

MRS. MURPHY: Mainly in apartment blocks. There's only one case that I can remember in the last two years where a tenant renting a house was refused insurance on personal possessions because of that.

MR. TURNBULL: Did you know if the tenants get any explanation from the insurance company?

MRS. MURPHY: Yes, they do.

MR. TURNBULL: Well, what does it relate to, I mean is it . . .

MRS. MURPHY: They don't consider the dwelling a safe place, it is a fire hazard, and there's not sufficient fire protection.

MR. TURNBULL: Are the tenants given any specific points though that the wiring is unsafe, or . . .

MRS. MURPHY: Yes, the one case I can think of in a house, the wiring was not only unsafe, there was only one exit, and it was a three storey dwelling.

MR. TURNBULL: So the insurance companies do give specific reasons for the refusal to insure?

MRS. MURPHY: Oh yes, they certainly do.

MR. TURNBULL: That's all the questions I had, Mr. Chairman.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mrs. Murphy, what sort of cross-section of people does the Self Help Group represent. do they tend to be mainly people, senior citizens?

MRS. MURPHY: A number are senior citizens, but let me point out, they are all people on either low or fixed incomes. So that we do have a very large number of people on social assistance. We have people on old age pension, DVA pensions, as well as a very large number of working poor. But again, some of the tenants who do contact us with complaints are also from the middle income and the higher income group.

MR. CRAIK: I understand that the Winnipeg Building Commission has on its program some 1,500 or 1,700 buildings on their list to investigate for safety in other purposes to have a look at. Being in this sphere of interest, are you aware of their program to undertake investigations and upgrading programs, to set minimum standards?

MRS. MURPHY: Yes, I am. I am aware of the program. One of the unfortunate situations which exists in Winnipeg today, you know, when you talk to people in the public health department, in the rentalsman's department, anyone who is involved in a minimum housing standards, or health regulations, or whatever, anything concerning rental accommodations, there is such a shortage of decent rental accommodations for low income today, that most of them are forced to live in the substandard housing. And if the health department or the rentalsman's office, or any other agency, closed down all those premises, where would all these people go? They have no place to go. They're forced to live there. And that's why we have situations like what was in tonight's edition of the Free Press. People being forced to live in those kinds of accommodations.

MR. CRAIK: Because they can't afford to live elsewhere, really.

MRS. MURPHY: Right. And yet they are paying very high rents for them. Like those are not cheap rents, when they're paying \$200 and more a month for a three or four bedroom house that is really in terrible condition. You know, it's not necessarily always the amount of rent that they pay that we're concerned about, but it's what they get for the money that they're putting out. The accommodations are not worth the amount of

(MRS. MURPHY cont'd)rent that landlords are asking for them. For instance, I mentioned in the presentation the rent increases through June and October and going through the files today I picked out a few of them, where rents were increased from \$140 to \$225 a month. That was one rent increase. Another one from \$170 to \$270. And another one from . . . they had a rent increase in June, another one on October 1st, and another one on March 1st. The 3 rent increases combined came to \$95.00. And, you know, this is what we're concerned about. How much longer are tenants going to have to suffer these exorbitant rent increases. They don't see any end to them.

MR. CRAIK: Mrs. Murphy do you live in your own home or do you rent?

MRS. MURPHY: No, I rent, and I myself had an 18 percent rent increase on September 1st and a further 10 percent increase on January 1st.

MR. CRAIK: Have you any sort of idea what people's increases were that were living in their own home in the same period?

MRS. MURPHY: You mean, who are home owners, you mean who are renting houses?

MR. CRAIK: No, who own their own homes.

MRS. MURPHY: Who own their own house? I'm not sure what you asking, sir.

MR. CRAIK: I'm really asking you, if people that own their own house, if they didn't in 1975, you know through increases in their own home whether or not their costs of living in their own home didn't go up a significant amount too.

MRS. MURPHY: I'm not that familiar with the cost of homeowners, and you know, I'll quite freely admit that.

MR. CRAIK: But would some of your people that you represent live in their own home?

MRS. MURPHY: Yes, some do.

MR. CRAIK: And have they brought to your attention the cost increase in the last year or two of living in their own home?

MRS. MURPHY: No substantial increases, no.

MR. CRAIK: Well, with taxes up 20 percent last year, hydro up 20 percent, gas up 37 percent. . .

MRS. MURPHY: Well, none of them have complained of any exorbitant increase in their costs. Like none of them have been forced out of their homes because of any increases. And yet they're all people on low income.

MR. CRAIK: Thanks, Mrs. Murphy.

MR. CHAIRMAN: Any further questions, Mr. Turnbull.

MR. TURNBULL: I just want to follow up on Mr. Craik's questioning. He did indicate or in questioning Mrs. Murphy, she indicated that rents in accommodation that was of a poor quality was relatively high, the rents were high in that kind of accommodation. I assume she relates to accommodation where not regular repairs are done, the maintenance is not carried out. Is that the kind of accommodation?

MRS. MURPHY: Well, it's mainly non-existent.

MR. TURNBULL: The maintenance is non-existent.

MRS. MURPHY: Repairs and maintenance, right.

MR. TURNBULL: Is it your experience that the people in that kind of accommodation are paying relatively more for a two bedroom or a one bedroom apartment than people living in really a higher quality type of accommodation?

MRS. MURPHY: The rents compare quite well; they're not paying that much less in rent than people living in a much better home. As a matter of fact, some of them are paying just as much and some more.

MR. TURNBULL: Well in today's Free Press, some of those rents were over \$200. I don't know what size homes, I don't recall from the article what size homes they were talking about. The quality of course is deplorable.

MRS. MURPHY: Right. One was a three-bedroom home and it was renting for \$225.

MR. TURNBULL: Okay. Thank you.

MR. CHAIRMAN: Further questions? Hearing none, thank you, Mrs. Murphy.
Mr. H. A. Friesen.

MR. FRIESEN: Mr. Chairman, members of the amendments committee, ladies

(MR. FRIESEN cont'd)and gentlemen. I certainly appreciate the privilege of speaking to this Bill 19. So far in life I don't think I've never made an effort to talk to any MP or any MLA to ask them to change any kind of an Act because so far there was always room to manoeuvre in any kind of legislation that there was, but this Act sort of, I couldn't see my way through, so I started writing down what I thought was not good about it.

I've only sat through two of these sessions here. I was here when Mr. Green spoke - no, the Honourable Mr. Green sort of was skeptic about this 2 percent, I remember that particular session. Then I happened to go to Alberta and I thought when I came back this would be all over but you still gave me a chance and I'd like to thank you for it. But in Alberta I just happened to mention to a group of people there that in Manitoba we don't have rent controls and it was like a shock. Manitoba, no rent controls; they expected that I guess. But I assured them that our government was genuinely penitent and if they studied our Act they would agree, because we are working on a retroactive basis. In the morning I heard Mrs. Ann Ross and she attacked Graeme Haig a little bit and I just jotted down some of the things about her brief which I might read first.

This morning when Mrs. Ross, Executive Director of Mount Carmel Clinic presented her brief she made references to a brief brought by Graeme Haig. I think many of the things she said proved that she was overly biased against property owners. She painted a picture of how landlords were holding hands or something and lending each other money without interest charges. Mrs. Ross, if you really believe that landlords lend each other money interest free, then you're way wrong, because landlords are just like other people, there are selfish and unselfish ones. Now if Mrs. Ross prejudices her clientele with such way of talking, I don't think that she does much good for us in Manitoba to keep a good relationship between property owners and tenants.

She claimed that she worked 25 years in the Clinic, and with such bias as she displayed I can only assume that the cases she cited might sound altogether different if the landlord would give his side of the story. Of course, the fact that landlords use lawyers in these presentations here, and she called them high priced lawyers, bothers me a little too; I think if we landlords just want to bring honest facts here I do not see why we have to be represented by lawyers, but that's only an opinion. In fact our banks and mortgage companies and large development companies use the highest paid lawyers and education subsidized lawyers, using tax money to further their end against unsophisticated . . . and this bothers me always a little too. In fact I have started a little hobby challenging these large corporations in many things they do. The Bank of Commerce and The Royal Bank have overcharged me on my last three loans. I complained about one of the loans and was immediately paid back the overcharging and given a bottle of Whiskey. This is kinda peculiar.

On the other two loans I keep now writing the head office in Ottawa telling them they shall pay back everybody they overcharged from one side of Canada to the other side and my other two loans will automatically be corrected. I am actually preparing a claim against the Banks and hope the government will pass an Act allowing class action. I've torn out every article that you've published in the paper and I even tore out the one where Mr. Buchwald had been given back some money in the United States, he had stayed in a certain hotel and somehow he was given back money and he didn't know why. It was just a class action result. So I am all for that. But that's a little bit off the landlord business, you know.

I do not really like the title "landlord"; it has an ugly ring to it. Although I guess we will always have that. But property owner sounds a lot better. If the Act would substitute "property owner" for landlord throughout the bill I think that would in a way be nice, because we don't want to encourage this difference that he's a landlord and he's just the opposite, and we need property owners. Only a few property owners, and I'm guessing, maybe 5 or 10 percent have raised rents to a point which could be considered gouging, if gouging means unreasonable overcharging in rents. Now it seems that all property owners with rentable residential buildings, like apartments, etc., will have to pay the price for those few that were overcharging. It would seem that our lawmakers have been greatly influenced by these few. I really believe that.

(MR. FRIESEN cont'd)

Now the two reasons I can think of for these gougers to raise the rent beyond what is fair and equitable are as follows, I'm going to give reason number one. They, the 5 percent gougers seemed more aware of the fact that the Honourable Mr. Turnbull could and would come up with legislation in which all property owners would be punished and penalized for the transgressions of the few. In view of this they raised the rents well in advance of July 1, 1975, and as the facts are they will in all likelihood not be affected by this legislation because their major rent increases were before July 1, 1975. They seemed to know it was better to have unreasonably high rents and vacancies than reasonable rent increases and a full house. It is ironic indeed that according to the way the Act is written these gougers will not be bothered by the proposed Rent Review Board or its officers, if they, the gougers, in return will not bother the board or its officers. This is how I understand Section 16, Subsection (2) of Bill 19, which implied that the rent review officer will dig back to December 31, 1974 only if the gougers apply for a higher rent increase than allowed under Section 14 of the Act.

The second reason would involve a group of gougers, which I would like to refer to not as gougers but rather as ruthless profiteers, but I think these have had an effect on the government coming out with such strong legislation. These profiteers have made much profit in buying and selling apartment blocks. They bought from property owners who just did not have the heart to raise rents according to rising operating costs. Once the profiteers owned the blocks they raised the rent unreasonably. Having done that they deliberately set up false and misleading statements where income was overstated, and expenses understated and with such fraudulent statements the profiteers induced gullible investors to buy at a price that, in my opinion, constituted fraud, a clear violation of Section 2 of the Real Estate Brokers Act. This section states that if any salesman or broker buys and sells real estate and the profit is unreasonable then it's fraud. I know what I'm talking about because I was a victim of a similar situation where the vendor happened to have a broker's license. I had no reason not to trust this broker's statement of income and expenses. The block involved 54 suites. The broker led me to believe that they had owned the block for years and that it was fully occupied. The broker through his own office agent even took me to the caretaker of the 54-suite block and in my presence asked the caretaker, "is this block fully occupied", and the caretaker replied "yes". The said fraudulent statement of income and expenses was set up for a 12-month period showing a net return of 10.51 percent on the cash invested. Now mind you, 10.51, not 9 percent not 10, not 11. In other words what I'm saying, not a round figure. I was led to believe this is accurate to the penny, 10.51 percent, I have the statement, plus 3 percent on mortgage gain. A fantastic deal I thought. In an apartment I always think that 4 - 8 percent return on the cash invested is excellent because of the capital gain potential. As it turned out later, when it was too late to back out of the deal, there were actually 15 vacancies coming up at possession date. Notices had been given by the tenants. The broker was aware of these notices but I was not told. After paying for the block, by assuming a very large mortgage and paying the balance in cash and getting title to the property, I found that the net income was not 10.51 percent on the cash invested, but less than 2 percent. I further found that this broker had only owned this block a few months, and I also found that this broker sold it once before in '75 in a sale that aborted in which the previous purchaser claimed he lost his deposit of \$15,000.

After hearing all this I started digging and established what this broker bought this block for in '75 and for what he sold it to me for in '75 and I realized that the profit was unreal. The broker bought the block for \$582,000, according to the land titles figure, by assuming a \$515,000 blanket mortgage and paying \$67,000 in cash. He sold it to me, using fraudulent methods, for \$648,000, making a profit of \$66,000, and adding to this the \$15,000 deposit allegedly lost by the previous purchaser, the broker made \$81,000 profit on a \$65,000 investment in a matter of months. The Winnipeg Real Estate Board knows about my unhappiness regarding this broker but offers no help. They prefer to use this broker as a teacher to train new real estate salesmen. The Utilities Board knows about this, but claims that only the courts can decide if a broker violates Section 2, Subsection (8) which again deals with the profit being unreasonable, that that is fraud.

(MR. FRIESEN cont'd)

That again veered off a bit from what we are really discussing but I kind of want to bring out that I think you have been influenced when you wrote that Act, you were influenced. I don't think you were as hard as that bill is actually written. Bill 19 is written as though all of us are gougers and profiteers but 92 - 95 percent, that's just an estimate, are not. Not long ago one of our Honourable Ministers was quoted in the Press as saying "Let the chips fall wherever they may," I believe it was in connection with the bus strike. Such momentary statements are understandable by a Minister wrestling with problems that must be solved. Regretfully and with a heavy heart, I must make the statement here and now that the greater part of Bill 19, known as the Rent Stabilization Act, seems to have been written with an attitude of "let the chips fall where they may." What I'm driving at is in the end I'd like to have a solution, I propose a plan which not a single guilty one will get away and not a single innocent one will be punished. But here, just reading the Act, then I get the idea that it has been written with a little bit of "let the chips fall wherever they may," and that I don't think is fair.

I have a number of points here which I think should be changed in the Act, I don't want to even read them, but point number 8 here, Section 13 of the proposed Act is unfair, the government should think section 13 through very carefully. The way the Act is written now, the gougers who raised their rent 50 - 100 percent in June 1975 are entitled to raise the rent again another 10 percent on this higher rent basis, legally, whereas the property owners who raised the rent 25 percent in July 1975, only one month later, in order to meet the higher interest rates on the new mortgages being about 20 - 40 percent higher, on the increase in utilities of 20 - 40 percent, on the increase of property taxes from 10 - 20 percent, on the increase in repair bills of 20 to fully 50 percent, now an increase in Hydro of 20 percent, plus an increase in water and sewer bills of 50 percent, and now these that raise them 25 percent to cover these expenses, these are required, according to the Act, to refund anything and everything over the 10 percent increase to the tenants, whether it breaks the property owners or not. In addition property owners are not allowed to raise or even request permission to raise the rent until October 1, 1976. In this the Act is so unbelievably unfair that one wonders who actually drafted it.

The 25 percent rent increase in most cases was necessary for the sake of survival because of operating cost increases. You are now proposing to forgive the gougers and profiteers who acted in June of 1975 with rent increases from 50 - 100 percent and let the majority of property owners who had to raise the rent 25 percent to survive against rising operating costs, to go under if they do not have the finances to pay back everything and anything over the 10 percent increase. To my memory and knowledge, I have never heard of a situation where a property owner, be it a farmer, a businessman, an apartment block owner, has had to relinquish honestly earned dollars on a retroactive basis; I personally think that it will not work to have property owners refund the portion over the proposed 10 percent stated in the Act. This portion has been paid out to the utilities, taxes, repairs, etc., and should not be required to be paid again to the tenants.

In Section 14, page 6 of the proposed Act, I would suggest the word "may" be deleted in the first line and be substituted with the word "must". It would then read, "The Board must make regulations specifying the amount, if any, or the formula for calculating the amount, if any, by which the rent payable for residential premises for rental payment periods may be increased on or after October 1, 1976, etc." The way Section 14 is written now, property owners would not be able to make use of Sections 15, 16 and 17 of the Act if the Board refused to specify the amount or the formula for calculating the amount. It could completely stymie all appeal procedures after October 1, 1976, provided for in the Act. Section 29 gives new owners the right to recover from previous owners regarding rollback payments to tenants. Will the government in any way be prepared to protect or subsidize if previous owners are penniless or deceased and the estate is penniless.

After listing these few points, which I hope you will take seriously, I wish to get down to actual cases. I own three blocks in Winnipeg, two of which I bought and took possession of on October 1, 1975 and one on February 1, 1976. One block is 6 years old and has 54 suites, and the other two blocks are both about 60 years and one has 21

(MR. FRIESEN cont'd)suites and one has 14 suites. In the newer 54-suite block the rent was raised by the previous owner during the months of August and September of '75 from a low of \$143.00 to \$175.00 per suite for the one-bedroom, and from a low of 174 to 200 per suite per month for the 2-bedroom, including in all cases one free car parking stall. You will note that the increase in the examples above are 22 percent for the one-bedroom suite, and 15 percent for the two-bedroom suites. The rents are still the same today with no notices gone out for increases.

Now please allow me to set up an actual simple statement of income and expenses for the months of October, November and December of '75. Total possible gross income on 54-suite block: 18 - 2-bedroom suites at \$200 per suite equals \$3,600; 36 - one-bedroom suites at \$175 is \$6,300. Coin operated laundry is a \$190.00. Total possible gross income per month is \$10,090. Expenses for month of October, vacancies and skip-outs \$315.00; bugs, floors, stripping, \$40.00; Mrs. K. Anderson, cleaning, \$25.00; Bob O'Hara painting, \$355.00; Mr. Votto, Air Conditioning Service, \$95.00; Legal, \$14.00; Repairs, locksmith, \$60.34; Morley Golden Services, \$100.00; Repairs, coin washers, \$38.00; Advertising \$96.46; Garbage disposal, Acme, \$25.00; Telephone, \$26.51; Willson's Stationery, \$5.20; Management, 4 percent, \$389.60. I will say here that I have taken over the management of the building so that money actually comes to me; but before I owned it, it went to Morley Golden, this \$389.60. It's always been paid as far as that goes. Waterworks, \$150.00; Greater Winnipeg Gas, \$502.50; Manitoba Hydro, \$475.00; Insurance, 1/12 of \$771.00 is \$64.25; Caretaker, \$305.00; Cablevision, \$121.50; Taxes, estimated 1/12 of \$28,092, 2,341.00; Interest 10- $\frac{1}{2}$ percent on \$515,459.09, mortgage is \$4,410.26. Gain on Mortgage Principal, \$339.74. Now that is actually an earning still I list it under expenses because I am just working the Cash Flow because of that 10.51 percent, I'm still fighting with those guys, and I'm setting these things up to . . . But then you will find that my possible income for October was \$10,090 and my expenses were \$10,329.36, so the loss for October on the cash invested was \$239.36. Income for the month of November was \$9,659, expenses \$9,675.34; so in November the loss was \$16.34. The income for month of December was \$9,586, expenses \$9,852.03; and the loss was \$266.03. Income for the month of January and February '76 showed losses too.

The 21-suite 60-year-old block has a mortgage of \$120,000 with 12 percent interest and the heating per suite is much costlier per suite because they are all large two-bedroom suites with sunrooms than in the six-year-old block. The rent was \$95.00 and in two steps it has been raised to \$125.00 per month. So you see the law has been broken according to the Act twice by admitting this year, the rent was \$95 and in two steps it has been raised to \$125, because doing it in two steps is already breaking the Act. You're only allowed to make one step a year, the way I understood the Act, and it is way more than 10 percent. But, even at 125 a month I am showing a loss, which I can prove if anybody actually wants to see the cancelled cheques. There is no profit from rental revenue to pay back anything over 10 percent increase.

I would like to say that property owners should be allowed to make a 5 - 10 percent profit on the cash invested, or alternatively a 30 percent increase since January 1, 1975, even if it has been done in a series of steps. Now that's my key phrase in my whole brief. Or alternatively, a 30 percent increase since January 1, 1975 even if it has been done in a series of steps. I just jotted something down while I was having supper. My recommendation is that if rent control is to be retroactive then it should be retroactive to January 1, 1975. The allowable increase during the 21 months from January 1, '75 to October 1, '76, should be between 25 percent to 30 percent - it may not need to be 30 percent, that should be studied, but somewhere in between those two figures I believe would be correct. And this should be allowed because of the increased costs. That way you would - I don't know if I like this term I use but it just came to me that way, you would smoke out anyone who has been overcharging. Tenants should be provided by the landlord the rent charged on his or her suite as of January 1, 1975. If the present rent is more than 25 - 30 percent higher than in January of 1975, the tenants should be encouraged to report this to the Rent Review Board and the Rent Review Board should then notify the landlord to show cause why his rent should not be rolled back. In my opinion this would be the fairest and most workable solution. This way the innocent will go free and the guilty will be required to pay back. I feel that the government

(MR. FRIESEN cont'd)should allow at least a 5 percent return on the market value of a block less loans incurred to own the block and interests paid should be allowable expenses. Thank you.

MR. CHAIRMAN: Thank you, Mr. Friesen. There may be some questions members of the committee may have. Any questions. Hearing none, thank you, Mr. Friesen. Mr. L.B. Alsop, Ryan Agency Limited.

MR. ALSOP: Mr. Chairman, members of the committee, Ryan Agency Limited is an Insurance Agency which was incorporated in 1903. We arrange insurance for approximately 2,000 rental units in Manitoba. Our concern is that unless this Bill is carefully and properly drafted to allow the property owners to achieve a reasonable return, two very important results could result to affect insurance costs and availability of market.

Firstly, if an owner has a property which starts to lose market value as a result of being in a losing proposition or showing an inordinately poor return with no relief in sight, general insurers will no longer be content to provide coverage on a building where the amount of insurance exceeds the market value, thus creating a severe moral hazard.

Secondly, we believe that if increased costs are not allowed to be passed on owners will not provide proper maintenance on such essentials as heating repairs, electrical repairs, and plumbing. This lack of maintenance will inevitably lead to increased claims which in turn will further escalate the rate of increase in rates and/or greatly reduce the number of insurers who will want to insure rental properties.

In conclusion, we must ask that you seriously consider adverse effects that a lack of a fair return to owners will provide. This Bill is very serious and must be only undertaken with a good deal of thought into trying to overcome the adverse effects that rent controls could have but still achieving the end result, controlling the escalation of rents. We believe that both can be achieved if a great deal of care is used in drafting the final Bill.

MR. CHAIRMAN: Thank you, Mr. Ryan. Order please. I have Mr. Uruski, then Mr. Turnbull.

MR. URUSKI: Mr. Chairman, in your brief you indicated that you consider there would be a problem with insurance if the property starts to lose market value. Would you consider a major factor in market value with the demand on the facility for rent as a major factor in considering what the market value might be for that building. The demand for rental space.

MR. ALSOP: The demand for rental space. I don't understand that, the demand for rental space would . . . ?

MR. URUSKI: Would keep up the market value.

MR. ALSOP: I would think so, yes.

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: Mr. Alsop, you are aware that the Bill will be amended to allow landlords to make an application for cost pass through in the initial period?

MR. ALSOP: No I wasn't. I understood that the cost pass through was 10 percent.

MR. TURNBULL: There will be allowable rent increase of 10 percent in this initial 15-month period, but if the landlord can prove to the board that his costs in fact exceed what he can recover from the 10 percent rent increase, then the board will be in a position, with the amendment in the Bill, to allow that cost increase, justifiable cost increase to be passed along as rent.

MR. ALSOP: I wasn't aware of that, Mr. Chairman.

MR. CHAIRMAN: Any further question? Hearing none, thank you Mr. Alsop. That completes the hearing before the committee. I want to thank all the people who have taken part in the hearings before the committee. It is my understanding, Mr. Minister, that we will be dealing with the Bill clause-by-clause on Monday morning, is that correct? Monday morning at 10 a.m. the Committee will be dealing with the Bill clause-by-clause. At that time I understand that there will be amendments made. Mr. Craik.

MR. CRAIK: . . . before we wind it up, I was just wondering if there are any other people that may have come in late and not been involved in the earlier request to appear that now want to appear. I presume there aren't but . . .

MR. MADDEN: I could ask to speak. I asked this afternoon and he said well if we were finished in time that I would be allowed to speak.

MR. CRAIK: I think the purpose, Mr. Chairman, of the meetings is if someone hasn't had their name on the list or appeared before or had an opportunity that it's wide open for them . . .

MR. CHAIRMAN: Gentleman, come forward and give me your name please.

MR. MADDEN: My name is Gerry Madden, I am a landlord. I think it's a very sad day - I've been sitting through for most of this as you can see I am kind of reluctant to get up and speak, but here I am - to think that basically the government's going to go ahead and still put this Bill in when 80 percent - and I think that you will agree that 80 percent we have no control over - how can you possibly consider putting a bill through when we don't have any basic control of our expenses. You're talking about some blocks, whether they're clear titles or whether there is a big mortgage. This should have no bearing on it. Right today, apartment blocks are selling for approximately 30 to 50 cents on the dollar. Now at 50 cents on the dollar, how can you sit there and say that the rents are too high. This I can't understand. You take a new house and they will sell between 30 to 36 dollars a square foot for a standard house. Apartment block, 3, 4, 5, 6, 7 years old is selling for roughly \$12.00 a square foot. Now we can't make a go of it at \$12.00 a square foot. How on God's green earth can you say that we are overcharging. I have subsidized, I've had roughly 11 houses for maybe up to 12 years; I'm down to 4 now. Why? Because for years and years I've been paying out of my own pocket. Now, the four that I have left I would be making approximately 10 - 12 percent interest on my money, but that is from what I paid for it 12 years ago. If I were to throw in what I do physically, and basically I do most of it eh? - I wouldn't be making a cent. If I were to add all the times that I've gone to those houses over the 12 years, the painting, hauling the garbage away, tearing down this, fixing that, I wouldn't be making anything. But for the government to turn around and tell me that I have to subsidize, I tell you I will not subsidize when I am told I have to subsidize. And I think we're going to get a lot of landlords in the same thing. My advice to them is to sell their houses and take their money out, or sell their houses and buy possibly something else where you can't control. And when you say that, that let the chips fall where they may, and you can prove to you in black and white that we are not making money, and you are not prepared to go along and say well this review . . . how long is it going to take to have a review before we can increase it. Can we go to the mortgage company and say listen, I'm sorry I can't charge enough rent to meet the expenses, you will have to wait until the Review Board will look at our statement. Is this fair? I can't see, honest I'm just getting so upset over this to think that we are living in a democratic country and you're telling us that we are going to have to subsidize the tenant and the stuff that is basically selling is 50 cents on the dollar - and I am right and I am prepared to discuss it with anybody - that the figure, I am not pulling it out of the air, it is not a foolish figure, it is a true and honest figure. I have just finished building a house just this last month so I know what it costs: I have built small buildings, I can tell you what they cost. And today . . . basically we're talking half the value of something and you have the audacity to say that we are overcharging. You know, we are not all wild tenants, and that is a very very small percentage of what you read in the paper tonight. That is my say.

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

MR. HENDERSON: When you're talking about building houses and the cost is so much a square foot, are you taking into consideration the price of the lot?

MR. MADDEN: No, no, the price I quoted you between 30 to 36, is without land and I have again been reasonable and I have taken the land at \$12,000 a lot. In other words a builder, let's say Quality Construction for an example, that they are building today, they never paid anywhere near that kind of money, but I've taken that off to try and come at an honest square foot. I've had 20 years in the real estate business, I've basically been retired for the last four, but I still have my license, but I really don't sell. Okay, I've been doing a little building and so on. Now I'm looking after a house for a woman, the house is \$46,000, I am charging \$250.00 rent on a \$46,000 house.

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(MR. MADDEN cont'd) \$250 rent. Now if I wanted to increase that for that woman, I told her before that it's worth way more. But she said, well I have a nice tenant I don't want to disturb him. And there's all kinds of that. The four houses that I own myself, I am under-renting them, every single one. I get 125 on one in Brooklands, I would get according to the article in the paper tonight and the chap that pays 200, I should get 250, cause my house is far superior, there is nothing wrong with it. In other words, it's been painted up, I painted it this summer myself, gave them tile, they did the kitchen. Now I get \$125 rent. I know I could get \$165 at the snap of my fingers. But why didn't I raise it? Because I have a decent tenant. I don't have to hound him for the money. Now to me this is very very important.

But getting back to your square footage. This is just a reasonable priced house. Now when I say 30 - 36, this is basically what they are selling for. I'm not implying the builder has to pay that, but when you figure the market value if anybody has a \$40,000 house I'd like to try and see him get . . . you would have to get \$400 a month to break even - or I shouldn't say break even, make 10 percent on your money. But I'd like to see you get \$400 on a \$40,000 house; you might get \$300.

So again, I just bought an apartment block and I haven't even got possession of it. I never even dreamt for one minute that the country I'm living in that they're not going to allow us to put a pass through, and this I'm telling you just riles me. Now the next thing is if I can't put your pass through costs, I can't go to the mortgage company and say listen, you know, again I've got to wait for the board to make the decision before you can increase those rents.

MR. HENDERSON: Would you also say now that this here bill has come out that possibly your property, these buildings you have have dropped considerable in value if you put them on the market?

MR. MADDEN: Well as I said, I just bought one, haven't taken possession of it, but from what I've read I think I'm going to be in serious trouble, for the simple reason I put down \$40,000. Now as I said, I've been retired, I'm trying to use it you might say to live on and it looks like you're going to do your best to just do the opposite, take it away. And everyone that gets up here seems to be in the same boat I shouldn't say seems to be, I know damn well they are, because I know what they're selling for.

MR. TURNBULL: Before you're more riled up than you are.

MR. MADDEN: I'm pretty riled I'll tell you.

MR. TURNBULL: Have you read the bill?

MR. MADDEN: No I haven't.

MR. TURNBULL: You haven't read the bill? You mentioned that you're riled up because there's no cost pass through, you didn't cost you said no pass through: What do you mean no cost pass through? There is a stipulation in the bill as its now drafted for a cost pass through.

MR. MADDEN: Of everything, of interest, of complete taxes, of complete heating?

MR. TURNBULL: I hope that we can . . .

MR. MADDEN: How about the money on . . . I am entitled to a return on the money I am putting in.

MR. TURNBULL: So you're not talking about a cost pass through . . . ?

MR. MADDEN: No, this is basically part of my argument. I am entitled to . . . if I take that money and put it in bonds they will pay me in interest. Now in this country when you say that I am not entitled to any kind of return and you're obtaining something that is less than market value, or should be less than market value, then there is something drastically wrong. It's like when I first started out this conversation is. You are told that 80 percent of the cost of an apartment block we have no control yet . . . will you agree with that figure at 80, Mr. Turnbull, would you agree with that 80 percent that we have no control over, taxes, heat, light, interest?

MR. TURNBULL: In some cases.

MR. MADDEN: Okay. The only case, when you're saying in some cases, would be if a man had clear title then? If he had clear title then he would be in control of better than 80 percent. But somebody that has a mortgage on they are absolutely

(MR. MADDEN cont'd)helpless for that 80 percent. Now if you're helpless for 80 percent how can you put controls? Wages have three times the price.

MR. TURNBULL: Because you can pass through the costs, Mr. Madden. Those fixed costs that you have will be passed through.

MR. MADDEN: Yes, and how about the money that a person has in it?

MR. TURNBULL: That's something that the board should be in position to deal with, because . . .

MR. MADDEN: How long will it take for an individual, like myself, to get before the board and get A-okay. Now, what happens to fellows like myself between now and then?

MR. TURNBULL: What's your rate of return now?

MR. MADDEN: Well I haven't obtained it yet. Right now, as best as I can figure out, I'll go in the hole by approximately \$200 a month.

MR. TURNBULL: On what, on your operating?

MR. MADDEN: Right. Now when I say 200 that says absolutely nothing for what I will have put in. Now, again a person is entitled to . . . wages have gone up three times, minimum wages has gone up three times but rents haven't gone up that kind of money.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Chairman, Mr. Madden is talking about a pass through and the Minister has said there is going to be a pass through, so just let me phrase it to Mr. Madden. If the pass through that the Minister is talking about, I'm not exactly sure of what he's referring to either - I think I know what you're referring to, I'm not sure - but if the pass through the Minister is talking about is the pass through that is calculated and then you determine what your rent is, does this not solve a large part, or come a long way toward solving the problem you find yourself in? But on the other hand, if the pass through the Minister is referring to is a case of setting a rate of 10 percent, and if you've raised your rents 15 percent and you have to rebate 5 percent then you come before the board and justify your pass through and have to then ask for a rebate of the rebate, but in this case from your tenants. . .

MR. MADDEN: Never mind asking rebates, I would need a 25 percent increase to give me a 10 percent return on my money plus the additional . . . like from when I agreed to buy it, see, now I find out the taxes are going up 20 percent, the water's going up so much, you've heard all the figures, I don't have to repeat the figures. I'm just saying that we need this increase, and a person is entitled to make a return on his investment. He's entitled to it. When we're talking about equity, and Mr. Turnbull has to sit there and can't give me a concrete answer then what goes through my mind is what the heavens name is he going to do for somebody that has clear title. He's going to say, well, he's not entitled to much of a return. Now if the man that has clear title is entitled to a return, which he should be every bit as much, it shouldn't make any difference whether a block is mortgaged to the hilt or whether it's clear title. And if you're going to pass this law, there's only one fair way and one easy way of doing it - is say in black and white that a man is entitled to make whatever percentage you are going to sit down and agree on, whether it is 9 percent, 10 percent, 12 percent; then this is the fairest way of doing it. And the easiest way of deciding the value is use Metro's taxes.

This gentleman stands up and he tells me what his taxes are. His is 6 years old, the one that I have is roughly 6 years old. Okay? Proportionately for the number of suites we're paying the same tax. I'll be paying \$7,300 tax on 15 suites. So in other words, there is your basis for value as to possibly . . .if someone has clear title on something it should be taken at today's value. He's entitled to it. Because when I go to the store I pay the same for milk, groceries or anything. So, therefore, this is the only fair way is going to be, state what a man is entitled to for his equity in it, and if he has clear title he has that much equity, he is entitled to a certain return. All your percentages are there, 4 percent for collection. Okay, so he can't turn around and try and pad the bill and put it in as 10 percent. First of all the control I don't think is even remotely right because of this 80 percent which we cannot control. So how can you control. It's like me going for a driving test and your telling me I have to go through this course and there's 10 gears in the steering wheel and you're going to take out eight of them and

(MR. MADDEN cont'd)leave me two gears left, you know to turn the wheel, and saying well listen you've got to go through that course. And this is what you're asking the landlords by putting a 10 percent freeze on us when nobody else has a freeze. You were told before that we are made the collector of, realty tax, gas tax, and all the rest of it.

MR. CRAIK: Mr. Chairman, I still don't think we got to the bottom of what I was after here. I'm looking at for some sort of . . . if the Minister says he's going to allow a pass through and Mr. Madden says he has to have a pass through, that surely the only difference between Mr. Madden and the Minister is whether they are saying the same thing or not.

MR. MADDEN: We're talking equity. He's not telling me that he will allow equity, and I'm saying that if you don't allow equity then how can you get the man that has clear title to fall into . . . what are you going to do with him. In other words, if you're trying to tell me that I am not entitled to make any money on my investment - and this is basically what it sounds like, when they're saying pass through they're just talking about your taxes, they'll let those go through.

MR. CRAIK: Mr. Madden, I presume that what the Minister is talking about is pass through on increases, I mean by and large except in cases where there has been a recent takeover of property in the last few months that he's talking about a pass-through of increases and your status quo would be determined by your past history of your management of your property. But we won't know that until we see . . .

MR. MADDEN: What about the money that a person has in it.

MR. CRAIK: . . .Mr. Chairman, is before we get down to the . . . while we still have people like Mr. Madden here that have some experience and expertise in the business, what kind of problem are we headed for if the pass through is done on a rebate and a rebate type of program. That is if 10 percent is applied across-the-board and then the person who has raised his rents above that 10 percent in the last year is required by the law to make a rebate to his tenant, and then if the owner goes to the board to justify some increase higher than 10 percent and that is approved by the board, then he would be in a position of going back to that tenant and saying that his rebate had been too high; and it seems to me that if that's the sort of thing we are headed for we'd have a bureaucratic nightmare not only on the part of the board but we'd have a bureaucratic nightmare imposed on the owner who had to go back and chase the tenant to get back an overpayment of a rebate.

MR. MADDEN: I'm sorry to interrupt you again, but can you see what is going to happen, that if you don't allow for equity and no cash flow that we're talking about, and these fellows that have a termination, I brought down some listings tonight, I don't suppose you'd want to see them, of other apartment blocks. Okay. They have very large mortgages and they're coming due, this one is 1977, eh? Now when the man can't make any money, what's the mortgage company going to do? Do you think - this was brought up before - that they're going to renew those mortgages? I don't know how much dealing some of you have had with mortgage companies, but I'll tell you right now they will no more renew it than fly over the moon. So what's going to happen - you're going to have lots of people lose on the buildings. And this isn't ridiculous, this is for real. Now, you're not going to have any new construction, because to build a new one you have to have double rent that you get today. The average rent on a one-bedroom is \$160 on the block that I have. You would have to have between 300-320 to compete. So who's going to build a new block and have to try and get 320 when a guy can rent the same thing for 160 - 170 dollars. They're not going to do it. Then what's going to happen? Then they're going to decide well they're going to have to go out and . . . well Government House or try and buy a house. See your worrying so much about tenants, how about the man that buys a standard house. If he goes out and just buys a three-bedroom, no dining room, living room and kitchen, his payments are roughly, including your heat now, are going to be about \$500 a month. That's the honest to goodness truth. He's going to pay \$500 a month to get a three-bedroom. Now he comes to the block, he gets a two-bedroom, it's one bedroom less, for 180. Now this doesn't make sense. It just doesn't make sense. This apartment block to build new you would have to add 200,000 to the price. Okay. --(Interjection)-- You're darn rights I'm right. I'm not always right and

(MR. MADDEN cont'd) I'm never wrong, I'll tell you. But anyways this is - basically facts don't lie and it's the 80 percent business where we have no control. So how can you even consider passing a bill to please - so you shoot down a few thousand landlords to please 10 or 15 or 20 - I don't know what the percentage is of renters. What about the poor guy's buying it, they don't get any subsidy at all. It costs them a fortune to buy. You know, like rents again. Take the suite that I have. Maybe 10 years ago it was \$80.00, eh? Things have basically increased in 10 years between three and four times. If it's three times it still only means \$240 rent that I would be getting which is about \$90.00 less than replacement. Now, minimum wage has gone up more than three times.

A MEMBER: It's going up again, too.

MR. MADDEN: Right. I mean, 10 years ago I don't know what it was, but I guess it would be 75 cents an hour. What is it now? So why all the stink about an increased rent? But this is no malarkey when I say that apartment blocks are selling for 30 to 50 cents on the dollar. Now if they're 50 cents on the dollar and we can't make a go of it, I haven't heard one person in here say that he wants 40 percent interest on his money or 30 percent. I don't think there's been anybody mention more than 12 percent return and that's myself. I haven't heard one say that they're looking for a 13 percent return.

So in other words, we're not greedy. But damn it all, when somebody is threatening - I've worked, and Mr. Patrick here will back me up - I have worked for, I guess it's 22 years in real estate. For the first fifteen years I worked 12 hours a day. Okay. This is why I have a buck or two. But jeepers creepers, as I say, when I see the government trying to take it away from me it gets my Irish up, I'll tell you. And as I said, I have subsidized the houses, I repeated that before, for years and years and years; but for the government to say I have to do it, this is a horse of a different kind.

MR. CHAIRMAN: Mr. Bilton.

MR. BILTON: Mr. Chairman, I've heard a good deal of this as you have and I'm getting a little confused. You've got a man with a building with 10 suites in it and he has a clear title on it. He's allowed to increase his rents by 10 percent and a pass through to take care of the added increases in light and power and water and so on.

Now then, we come to the man with a mortgage on a building with ten suites in it. What is the committee going to do in dealing with him? Is the mortgage payments that he has to pay going to be considered as pass through along with all the other increases that's been given to the man with the clear title. It's just going to be a hodge-podge in my mind. Where's it all going to end? And it answers some - what I am trying to get to is, listening to Mr. Madden, the man with the mortgage is really going to take a beating throughout all this, and he's got to meet that commitment.

MR. MADDEN: With the termination clause, where he's going to take the beating is - and it was said before - that is I feel very confident that if you pass it then there is not going to be sufficient money to carry the buildings. If there is not sufficient money to carry it, the mortgage companies will not, I repeat, will not renew those mortgages. Never mind at a higher interest rate. They're going to say, just like - I don't recall who it was - they're going to say, well pay us down, pay another 60, 70, 80 thousand. Do you think you're going to go to the bank and say, listen I want 60, 70 thousand and he already knows that you're losing, you're paying out more than you're getting in. They won't do it. So what's this going to cause? This is going to cause real major problems.

MR. BILTON: Well, may I direct, through you, Mr. Chairman, to the Minister, when he talks about pass through --(Interjection)-- Why not.

MR. CHAIRMAN: We are not here to question the Minister. We're here to question the delegation.

MR. BILTON: Well, can I question the . . .

MR. CHAIRMAN: When we get to the clause-to-clause discussion you can ask all the questions you like.

MR. BILTON: Mr. Chairman, the Minister gave an opinion a few moments ago. Can I question that opinion?

MR. CHAIRMAN: If the Honourable Minister wishes to volunteer information

(MR. CHAIRMAN cont'd) that's his business. But we're not here for clause - by-clause discussion. The honourable member knows, he's been at lots of Law Amendment Committee meetings and other committee meetings . . .

MR. BILTON: Don't give me that old dice. You throw that to me all the time.

MR. CHAIRMAN: Order. You know very well Mr. Bilton . . .

MR. BILTON: Can I question the Minister on the opinion he gave a few moments ago, Mr. Chairman?

MR. CHAIRMAN: No.

MR. BILTON: I can't? Thank you very much.

MR. CHAIRMAN: Mr. Boyce.

MR. BOYCE: Well first of all, Mr. Madden, I can understand you being a little annoyed, I understand that I was something comparable in '62 only it was a recession and another government made a decision and it was quite expensive to myself, and it took me two years to get my Irish down. But I just wanted to ask you a couple of questions from your experience. What do you think would be a fair return on equity. I heard the other gentleman just a little earlier, he thought 4 - 8 percent was . . .

MR. MADDEN: Well in my opinion I think this is absolutely ridiculous, because as I said, I've had 20 years, I had roughly 11 houses, I've never tackled apartment blocks. The only reason I even considered buying apartment blocks is everything else has really struck high pie, the inflation eh - apartment blocks again are . . . well you can buy apartment blocks today for basically what it cost to build 6, 7 years ago.

MR. BOYCE: Maybe I didn't make the question clear. If I could take my money and put it into something, a term investment or something I could make 9 percent, but then you decide . . . as I say I understand your . . . but you choose to take it on something with a risk to make a little bit more than that. So if money today is worth 9 percent, would you take 13 percent or something . . .

MR. MADDEN: Okay. I'll get back to your questions. I say, and I don't think I'm being unfair, but I wouldn't argue this point too stringently, but I would say 12 percent, on today's rate. I just sold a little house in Starbuck. The man had to pay 12 3/4 percent for 50 percent mortgage. In other words only 50 percent is what they gave as a first mortgage. He had to pay 12 3/4. Now he just moved in the first of July. The little house I told you I just built, and it was sold? Now that house is a brand new one, the man is going to have to pay 12 percent. Now they are getting a first mortgage. Now, when a man buys . . . I think I am entitled to 12, for the simple reason, I am still taking quite a risk; if a recession came I would lose everything. Okay? I would lose all the money I put in, all the headaches, let alone the aggravation. I see articles in the paper tonight and see some of this damage - but I don't know how many of you looked at it - but how many thought when they saw the sink missing, how many of us thought what happened to that sink. Well if anything it was the tenant that ruined it to start with, eh? I've had hardwood floors I couldn't tell were hardwood floors. Writing on the kitchen walls, where they use it like a pad. Holes in the walls. I had a house once I took back had 30 holes in the walls.

Now I've never been hauled before a rentalsman or anything else for one reason. I've always tried to get a good tenant. Now I've had bad ones, but when I get a good one, believe me, I appreciate him. And how I appreciate him. By keeping the rent lower than the market value, and I've had tenants for years and years. And I've had Indians and I have had Irishmen, and I have had coloured, in other words I have tried not to be prejudiced in any way as to . . . But anyways, get back 12 percent, I get carried away.

MR. BOYCE: Just one final question if I may. I have heard in several representations you know where larger outfits and even some small ones pay management fees. What would you think would be a fair amount for a management fee, even if the person was managing it himself.

MR. MADDEN: Well absolutely rock bottom of 4 percent and 5 I guess, if it's a large place it could be 4.

MR. BOYCE: Based on what figure though, on . . .

MR. MADDEN: Well basically the real estate allows 5 percent for collection. Now if you're collecting a big one you're getting more money, so maybe this is why they

(MR. MADDEN cont'd) do it at 4 percent.

MR. BOYCE: Yes, but 4 percent of what, of capitalization . . .

MR. MADDEN: Of the rents you collect.

MR. BOYCE: Of the rent. It's 4 percent of revenue.

MR. MADDEN: Of revenue.

MR. BOYCE: I see, of revenue. Thanks Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Madden. I understand there are no other delegations before the committee.

MR. BILTON: Mr. Chairman.

MR. CHAIRMAN: Mr. Bilton.

MR. BILTON: I noticed this afternoon that a person appealed to come to the microphone for a few minutes, I understand that she has already spoken. I wonder if you would put it to the committee as to whether or not she could have the four or five minutes that she requested at this particular time.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I don't think anybody wishes to be unfair to any one person, but I think that it's a fact that the committee has met long and hard and it would be a mistake to get into a rebuttal type of position, and if we permit one to do it, I think we may be unfair to others who would like to say an additional word. I think that the committee has given full scope to delegations. Perhaps the young lady who wishes to speak could write out what she wishes to say and have it delivered to members of the committee. That way we could be hearing her and at the same time not running the danger of opening up again. I think the committee has really given a lot of attention to public briefs. There's another young lady who apparently left, who has left something with us, and the person that is in the other position could write it out and get it to the committee members before Monday. I don't think we'll be dealing before Monday to consider amendments.

MR. BILTON: Mr. Chairman, through you to Mr. Green, I thank him for his opinion but I have reason to believe that this person wants to speak to the committee briefly and her health condition is such that I believe the committee would do no harm in giving her that opportunity just to satisfy this lady, who I believe is dedicated to what she has to say. I appeal to the committee to give her consideration.

MR. CHAIRMAN: Order please. You put the chair in a very difficult position. Now I'll state that I have been here at all these hearings, I think I've gone to the wash-room maybe twice in all the times that these hearings have been on. We have let everybody who has been available an opportunity to appear before this committee, I think the point that Mr. Green raised is a valid one, that if we start it for one person, there is no way that the Chair can be put into position to say, I'm going to favour you, because other people will say I want to come back. And I'm sorry, I'm going to have to rule that the hearings are finished and that's it.

MR. EVANS: Mr. Chairman, just as a comment, not questioning your ruling but I was just wondering if there are members of this committee that would like to listen to the lady and if she would like to express her views verbally rather than putting in writing, there is nothing preventing any members of the committee from sitting here listening after the committee is adjourned officially. So why not proceed that way.

MR. CHAIRMAN: Mr. Jorgenson.

MR. JORGENSEN: I wonder, Mr. Chairman, before we adjourn if the Minister has any amendments that he proposes to distribute to the committee and if he is prepared to do that now so that we have an opportunity to look at them before they will be considered on Monday. If I understand that he is going to meet early on Monday there will be very little time for members to consider those amendments. I wonder if we could have them now, or at least before the weekend.

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: Mr. Chairman, I had discussed this matter with the Leader of the Conservative Party and we agreed that I would attempt to get the amendments that I will be proposing to members of the Legislature before the weekend. I can't guarantee that of course; I would like to have the opportunity of doing that, but if not you'll get them as early as possible on Monday morning.

MR. GREEN: May I say that with regard to the calling of committee meetings, what I can do for my honourable friend is to assure him that there will be time between the giving of the amendments and the committee meeting. If it can't be given until Monday, then we won't meet on Monday, we'll meet on a day which will give the members time to consider the amendments.

MR. CHAIRMAN: Before we rise I again would like to thank all people that have taken part in the hearings. We thank you for your opinions, and the committee will make its deliberation, Mr. Green has explained that if the amendments are out tomorrow and the members of the committee have an opportunity to look at them, Monday morning at 10:00 in the morning; if not it will be a later day and it will be announced. Committee rise.

The following Briefs were presented but not read:

Re: Rent Control Legislation

Gentlemen:

The following comments are submitted for your consideration in the forthcoming rent control legislation. The opinions expressed herein are based on some twenty years of experience as a tenant in western Canada including Winnipeg. Please examine the following hypothetical financial summary of a company investing some capital in an apartment block some eight or nine years ago. The numbers shown may not be correct or applicable to a specific case but are realistic and will serve to illustrate some points.

Company X - Financial Summary Year Ending 1975

Total Capital Investment -		\$1,000,000
Total Mortgage Funds Employed -		900,000
Total Company X Funds Invested -		100,000
Outstanding Mortgage 1975 -		789,000
Total Accumulated Depreciation - 1975		278,000
1975 Rental Income	\$200,000	
1975 Expenses (including taxes, Mortgage interest, depreciation, etc. <u>175,000</u>		
Net Income before taxes	\$ 25,000	25,000
Net Income (before taxes) as percent of Total Capital		2.5%
Net Income (before taxes) as percent of Company X Funds		25.0%

Comments:

Landlords, businesses, entrepreneurs, etc., investing money in housing, apartments, real estate, etc., are in their chosen business to make a profit, a profit at times which could only be described as gouging. In the above example the accumulated depreciation can be considered to have made a substantial profit to Company X if it had decided in 1976 to dispose of the investment then after recapture taxes its total return on funds invested is significant, approximately an additional \$140,000 after 49% taxes. If the company had employed all its own funds for the Total Capital Invested then the depreciation effect on profit would not be too significant. It is the tenant who contributes to the companies profit, errors, etc. The Landlord has no incentive to reduce operating costs since the tenant ultimately pays for everything.

The effect of increasing property and land values the past thirty-five years is another economic factor to be considered in the total percent profit return to the Landlord. For example there are many apartment blocks in Winnipeg which were built thirty to forty years ago, and they have long been essentially fully depreciated, but many of them have been sold and resold in the last few decades at quite handsome profits to each subsequent owner. And too many of these older buildings have many more useful years of life remaining. Rents on these units should be modest and because of the system of mortgaging ad infinitum the rentals continue to escalate. The point that rent controls would have a detrimental affect on the Landlord and Tenant ratio and restrict development is a fallacy. The free enterprise system encourages competition and supply and demand will govern investment in this area. But the Landlord should not be given protection of ensuring large profits at the expense of the tenants and economic conditions of the day, because what they are actually insisting on is protection and full monopoly on their businesses. If the Federal Government imposes wage and price controls why should the Landlords be exempted? Some businesses have a poor year financially as a local newspaper indicated, but what were the reasons? Bad management, poor control of operating costs, low occupancy rate and exorbitant rents. Compare the average rents to average income of two cities such as Winnipeg and Calgary or Edmonton, this would be enlightening.

In Alberta some years ago Landlords were obliged to pay the Tenant 6% on damage deposits compared to 4% in Winnipeg. In the apartment building I am residing at the difference of interest value which the Landlord may earn and which he returns to the tenant represents some \$2,500 to \$3,000 additional income to the Landlord guaranteed

April 8, 1976

with no risks attached. Many Landlords rent apartments before the building is completed with no reduction in rents. I know of one apartment complex where miscellaneous incomplete facilities have not been completed even after eighteen months after the first occupants moved in, and even today some facilities such as the laundry room facilities are totally inadequate and of mid-Victorian vintage.

If any of us were a Landlord we would go for all we could get. The Tenants can do nothing. I have returned from a recent visit to southern California and I can obtain similar accommodation at a cost of 30 to 43% less than my current rental. I am flexible and can afford to do something about my position such as move to the United States but there are many thousands more who can do nothing but pay through the nose, they have no champion or guardian. And since they have no real collective or organized force they have no spokesman or watchdog but the government of the day, and history has shown that the rich get richer.

Yours very truly,
Edward Babiak
(retired gentleman and war veteran)

Re: Bill 19 - "The rent stabilization Act"

Dear Sirs:

Our Company owns and operates several downtown Brandon buildings having retail store main floor tenants and residential upper suites. We have 48 residential suites and houses which we own and operate and we manage 29 suites and houses for other owners. We have been in this business since the early 1900's.

We wish to present our point of view on the proposed rent controls in the form of this written brief rather than appearing at the hearings in person. The writer was an observer at the first two sittings and it quickly became apparent that I would not be able to attend day after day waiting for a turn for a personal submission to the Committee.

We will not re-hash some of our basic concerns which have already been covered by the submissions of other interested landlords, except to say that if the bill is to be passed with its present basic outline we are in favour of rent increase on a cost plus basis from inception of the bill. Further we submit that if the Government indeed intends this measure to be tied in with the Federal Controls period, and if indeed it is intended as a temporary measure, the Government should clearly so demonstrate by building in a close off date to the bill such as tying the close off to that of the Federal measures. We submit that otherwise the controls will extend well beyond the Federal control period and it will later be politically difficult to remove them.

We wish to comment at some length on four particular aspects of the controls that may be exercised under the bill.

1. The financial return that an owner has a right to expect.

We happen to own our properties outright without mortgage encumbrances and the same applies to most of the property owned by others - which we manage.

We submit that, as an absolute bare minimum, as is allowed to most other sectors of our economy, we have a right to a return ON EQUITY of the current rate of the bond market, i.e. about ten percent at this time, plus two percent. We believe it is widely accepted that because of the problems and risks involved, real property investment should return at least two percent over the bond market. Equity is what the property is worth on the sales market or what the owner has invested in the property, whichever is greater. Generally the market or selling value will determine what the property is worth. Consider please the fact that if a property owner were to sell his property at any given time he can put the net cash proceeds into the bond market. We do not think that the Government should force any property owner to accept less of a return than could be realized by selling his property, and of course if an owner stays in the rental business with its attendant risks, not the least of which is discriminatory rent controls, that owner is entitled to compensation accordingly. We and the Committee Members are well aware of the fact that generally property values inflate and in some cases an owner eventually derives a profit or return other than the fixed yearly percentages that we have mentioned. We submit that such profits are not guaranteed,

are subject to a high degree of Government control at the present, and in fact losses are possible. If values become depressed no one is going to guarantee that a property owner will not suffer a loss in equity from a previous high. In fact this condition is now beginning to apply to many owners of rental properties. Higher interest rates - tighter or sometimes unavailable mortgage money, and expected rent controls are depressing rental property value. Thus property may grow in value or it may shrink. Profits may be gained or losses suffered. The owner takes that risk and is entitled to a reasonable yearly cash flow profit. We believe that the Government does not shrink from taking an inflationary or capital gain on its revenue schemes or its property holdings. Also we note that while landlords are frowned upon for expecting a return against current or inflated equity, or for a capital gain at time of sale, this is not so for private housing or other areas of commerce or industry.

The property rent business is being more and more disadvantaged by subsidized government housing which we cannot compete against and which we are forced to help finance.

These and other factors will not fail to adversely influence building developers and financing institutions.

Our particular properties are over sixty years old and these tend to diminish in value. They cannot economically be improved up to new housing standards. If it were not for the inflationary rise in our property value which offsets depreciation of the buildings we would find ourselves in a situation where steadily our property was declining in value compared to other properties. We are not so sure that is not happening anyway.

We manage some properties that have mortgages against them and of course everyone knows about the five year term now being applied subjecting the mortgages to increasing interest rates. We are finding also that mortgage companies are beginning to decline mortgage renewal on older properties. At your first Committee hearing the writer thought he heard Mr. Sidney Green make the point that a property owner should not expect to pass on increased lending costs to the tenant because that was purely a matter of the owner having trouble in the money market which should be his problem and not that of the tenant. I was sure that was the thrust of his argument, but I am inclined to think I may have got it wrong because that is not a realistic argument. Witness the tremendous debt servicing costs incurred by the Government an example of which is our Provincial Hydro debt servicing costs of approximately forty cents of every dollar out of their overall operating budget. Any enterprise applies as a legitimate cost its debt servicing costs. Any problems that the property owner encounters in this area are beyond his control.

2. The timing of the controls

We strongly disagree with the timing for the controls and suggest that the timing and the arbitrary ten percent increase figure as originally intended - would make the bill highly discriminatory. Under any conditions the bill is discriminatory inasmuch as it seeks to control (if not penalize) landlords, and does not similarly control other economics which affect our own including Government spending. But worse than that it is retroactive and unreasonably so. We submit that all segments of the economy should be treated on a fair and equitable basis. When Mr. Trudeau announced his controls, all labour contracts then under negotiation were not only not retroactively controlled but they were exempted. We are required by law to give a tenant three months' notice of intent to increase rent. If we are to be treated as fairly as labour (and why shouldn't we be) any landlord who had at October 1, 1975 given his three months' notice to tenants should have that notice honoured. One could argue that because of the rental notice law, rent increases that had been given notice three months prior to the control period should be allowed, which would morally neutralize the Government's argument for retroactive controls.

We question the legality of retroactive rent control.

3. Controls will harm many tenants

Aside from general harm to tenants that results from controls disrupting or slowing the building of rental housing, we have some specific results that we can draw to your attention. First let us say that we endorse the stand taken by Mr. Kushner,

Mr. Poapst, Mr. Haig and other landlords, who submitted briefs to the Committee.

We have had a practice of keeping rents on certain suites lower than others if the tenant would do painting and repairing with our materials. Later he moves - but under the controls we will be stuck with an artificially low rent structure. For instance we have been renting a very large four bedroom house for 17 months for \$100.00 per month on this basis. The house is clean and in good shape and was receiving a face-lifting redecoration by the tenant using our materials. We gave notice October 1, 1975 of a rent increase effective January 1, 1976 of \$30.00 and was intent on a further increase later on. The tenant has left owing two months rent. Now we have the house up for rent at \$190.00 per month which may be interpreted by some as rent gouging.

We have many senior citizens who have been with us for many years. Our rent structure for such tenants was particularly low four years ago and still is. We started to see the light regarding controls and during the past three years we have been trying to get rents up to what we thought was a more reasonable level, but every time we affected an increase inflation more than offset it. We believe that most so called rent gougers were simply trying to catch up with inflation and most of us were perhaps unwisely more restrained. It is disturbing to note Government referring to landlords who increased rents by twenty - thirty - or forty percent, as rent gougers requiring control by direct legislation. You have the figures to show that many levels of the economy, many costs, including government and government services, have risen by the percentages applied by just a relatively few landlords. As we have said - no one should be condemned for increases caused mainly by factors out of our control. The real culprit is human extravagance, overspending, lower productiveness and Government economic policy catering to the unreasonable demands of the relatively few.

Some may accuse us of discrimination - but we have charged higher rent rates to younger and more affluent tenants who are moving more often. The affect of any kind of controls will be to cause us to set up an across the board rent structure for comparable size suites, charging in all cases the maximum allowable rent justified by the cost plus approach. This will harm most the senior citizens and low wage earners whom you want to help. Uncontrolled enterprise allows common sense humane seller/purchaser relationships (Albeit some abuses exist) while controlled enterprise simply achieves a common denominator which is less productive and more harmful. We think the best solution is fair guidelines for all concerned and let the Government only interfere with the landlord if the tenant feels he has a just complaint to make. We think too that it is time tenants were made aware of the real problems of landlords and that they do not have the basic right to call on us to subsidize them or their lifestyle. It is undoubtedly true that there are situations where the tenant is being unfairly treated. Such cases should be handled on an individual basis, and if you want to be fair about it, perhaps even through the courts as we are required to do in the case of tenants defaulting on rent payments or damaging our property.

4. Right of Appeal

The Act proposes to exclude the right to appeal an unfavourable decision by a rent review officer. Our whole system of justice has as one of its very foundation stones - the right to appeal. We believe it to be a most important and fundamental right and we most emphatically insist on the right to appeal an unfavourable decision by a Government rent review officer. Even property assessments and taxes are subject to appeal through two different appeal boards. The setting of a property owners income structure is of even greater importance and is entitled to the most impartial scrutiny and legal justice.

We have not submitted operating figures as our books cover management and operation of retail and residential tenants. Because of controls we now will have the added expense of separating our bookkeeping to permit rent review. Our residential suites will have to carry themselves financially separate from our retail rental operation.

Respectfully,

HUGHES & COMPANY LIMITED
(signed J. A. Perry, Manager.)

We urge that Bill No. 19 be amended in order to assure that owners of residential property, and particularly older residential properties, may be assured the opportunity to recover costs over a reasonable period of time for capital improvements required to conform with City of Winnipeg By-laws and Statutory Provisions relative to minimum standards of occupancy and maintenance.

The City of Winnipeg is actively attempting to enforce maintenance of a minimum standard under the provision of:

- City of Winnipeg Act - Section 448 (Unsanitary Buildings)
- The Winnipeg Building By-law 740/74
- Existing Apartment Buildings Improvements By-law 1046/75
- The Maintenance and Occupancy By-law 763/74
- Rooming House By-law 260/72

In many instances, the costs of bringing properties up to minimum standard are substantial. There are situations in which the economics of making such improvements under City Order are border line or questionable. The alternative to improvement could be demolition of the units in question, thus reducing the supply of lower rent housing stock, normally found in the central areas of the city, and forcing the tenants into the costs of relocation and acceptance of accommodation not necessarily as desirable, despite the shortcomings of the units they then occupy.

The Committee on Environment wishes therefore to make the point that there appears to be a conflict between legislation and programs involving Federal, Provincial, City and private funds which are designed to improve the level of housing accommodation and rent controls which, if they do not acknowledge such programs affecting housing stock constructed prior to approximately 1936, will likely mitigate against realization of the objectives of such programs.

Yours respectfully,

Councillor Ken Galanchuk (signed)
Chairman of Environment Committee, City of
Winnipeg.

Mr. Chairman:

The other night a young woman stated that she had not originally intended to present a brief to this Committee, but had changed her mind after hearing certain things said here by some landlords. The same feelings have brought me here.

The purpose of Bill 19 is to control temporarily the excesses within the rental housing industry and not, as some have suggested, to destroy the industry. Landlords have maintained that rent controls will bring about a dramatic drop in new apartment construction. However, in the Jaffray Report, made in October, 1975 to the Government of British Columbia (which instituted rent controls in the Spring of 1974) it states that rent controls were receiving more of the blame for the drop in new building activity than they deserved:

We have noted that apartment starts began to decline in 1970, long before controls were imposed and that they continued to decline at about the same pace as did apartment starts in major cities across Canada.

After a close examination of the economic conditions of the last five years, the study concluded, "the cessation of rental housing construction in British Columbia was caused by economic factors quite apart from controls."¹ I think it is safe to assume that those same economic factors are at work here in Manitoba.

We rightly encourage free enterprise, but we also recognize the possibility that profits may have to take second place to public well-being in certain cases. Public control of certain industries has often resulted from irresponsible private control. When private business fails to show sufficient concern for the public good, it provokes the very intervention it later deplures. The rent review procedure outlined in Bill 19 should be welcomed by the rental industry. It would clearly and publicly establish the legitimate financial needs of some landlords, while exposing those who have tried to gain exorbitant profits at the expense of the entire industry and tenants alike.

A positive feature of the rent review procedure as it now stands is contained in Section 16(3), which provides for the rent review of an entire building, as opposed to the

¹From the Jaffray Report, Winnipeg Free Press, March 31, 1976

to the individual tenant appeals suggested by some landlords. I am convinced that this would allow for a fairer and easier application of the legislation. To put the responsibility on the tenant to initiate appeals would increase the size of the bureaucracy required. Not only would there be many appeals from a single building, but also there would likely be disparities in rents charged for the same kind of accommodation in that single building.

With regard to July 1, 1975 as the retroactive date of implementation contained in Bill 19, we have heard a great deal of dissatisfaction expressed by landlords. My fear is that many landlords, anticipating this legislation, may have added excessive increases to rents last summer when many leases were renewed. Since appeals will now be allowed during that initial 15 month period, I feel that those appeals will be enough of a safeguard for landlords whose increases were not excessive during that period of time.

Another concern is when and how this legislation will be terminated. I agree with the suggestion of several landlords that this can best be accomplished by fixing the termination date to coincide with the end of the Federal Government's anti-inflation programme.

I am very concerned with the suggestion that while appeals are in process the disputed money, or roll-back funds, be left with the landlord. I feel this would encourage unnecessary appeals as a method of delaying repayment of the roll-back money. Some system of holding these funds in trust would seem fairer and might act as a deterrent against such unnecessary appeals.

There have been several references here to landlords' difficulties with destructive and irresponsible tenants. I can sympathize with their concerns, but isn't that one of the unfortunate risks of their business and a cost they could control by greater care? The suggestion that all tenants subsidize, through special insurance, the bad tenants that a particular landlord may allow in his building is easily countered by the suggestion that landlords offer some form of rebate to responsible tenants who leave their apartments in a clean and orderly condition at the end of their tenancy. Bad tenants cost more, it is true, but so does bad property management.

Before the legislation is passed, I think it would be preferable if Section 14 (which pertains to the regulations the review board may make to specify the amount or the formula for calculating the amount by which a rent may be increased) and Section 18 (which pertains to the material to be filed with an application for a rent increase) had some guidelines established. My fear is not about the areas of fixed costs outside the landlords' control--such as taxes, hydro, gas and water--but concerns the area of building maintenance and management fees. How will the material filed to substantiate increased costs in these areas be scrutinized to verify its validity and fairness?

Let us remember one thing: there is no landlord who is in or has been in this industry for charitable reasons. There is a definite reason why they have chosen rental housing as a particular investment area--either to realize a capital gain through appreciated real estate values, to utilize building losses as tax write-offs, or to gain an income through property management fees.

In closing, I would like to commend the Minister for bringing this legislation forward in the face of a very organized and very vocal opposition.

Respectfully submitted,

Alison Campbell
1611-72 Donald Street

ADDENDA

1. An example of rent increases in a 3½-year-old high-rise block:

<u>One Bedroom Apartment</u>	<u>Two Bedroom Apartment</u>
Nov. 1972: \$167.00	Nov. 1972: \$182.00
Mar. 1975: \$204.00	Mar. 1975: \$215.00
Mar. 1976: \$244.00	Mar. 1976: \$275.00

(Includes air-conditioning and parking.)

2. Same building had back parkade door smashed in mid-December, 1975. It was not replaced or even adequately boarded up until the end of January, 1976.

3. Same building had both front foors smashed on New Year's Eve, 1975. They were not replaced until the end of January (one month later), even though the entire lobby was freezing.

4. In the same building some suites had several rent increases in one year (as often as tenants changed). It may prove to be to a landlord's advantage to achieve a high turnover in suites unless Section 27, which would protect against this, is enforced.

5. A great deal has been made of the study, "Rent Control, A Popular Paradox" (Fraser Institute, B.C.), dealing with rent controls in Britain, France, Sweden, and New York. This is an unfair comparison, since the study deals with much older markets, in different countries and situations, and with many buildings over 100 years old.

6. Some large landlords seem content with the legislation, since they have not made representations to this Committee. Perhaps, then, it is the speculators, who have gone into this field without a solid financial backing, who are the most worried. Speculators have always caused difficult and dangerous market situations of any kind during inflationary periods.

Brief Opposing Proposals in Bill 19

Rent Rollback to July 1st 1975

We purchased and took possession on June 1st, 1975 of a block of side x side duplexes from a builder located outside the province. These properties were 5 years old, mismanaged, some with rents unchanged since 1972. Following is a monthly cost of operation per unit on a 9 month average (June 1st 1975 to March 1st, 1976):

Mortgage payments (P+I)	\$198.70
Taxes	44.02
Insurance	9.00
Management	11.75
Repairs & Decorating	22.00
Caretaking	6.85
Vacancy	11.75
Uncollectible rents	6.84
Equipment replacement	9.00
Total operating costs monthly -	\$319.91

The previous owner had raised the rents, effective August 1st, 1975 to a uniform \$235.00, from \$165, \$170 and \$180.

The rents are, obviously, insufficient to meet our operating costs, and we are incurring a large loss, temporarily covered by short term Bank loans. A rollback, resulting in a much greater loss, just could not be absorbed.

Rent Increases Prohibited Before October 1976

We intend to increase the rents during mid-1976 to recover a/ the increase in municipal taxes, b/ increases in maintenance costs, c/ reduce our operating deficit.

Many of our leases expire August 31, 1976. Under the Landlord and Tenant Act, we must grant a tenant a new lease, of similar duration, at a rent which cannot be changed during the new tenancy agreement. However, under Bill 19, we would be prohibited from increasing the rents prior to October 1976, resulting therefore in maintaining the same rents thru to September 1977 as on July 1975, irregardless of the costs of operations, a period of 26 months during which Municipal Taxes alone have increased 40 to 50%.

Rent Review Board

We have had, in the past year, several cases of disputed damage deposits. In every case, both tenants and ourselves agreed to arbitration, and promptly submitted all available evidence. We have found that a decision from the Rentalsman takes 5 to 6 months. Take note that these cases are usually fairly straightforward, involving at times simple matters such as insufficient notice or arrears of rent, and small sums of money.

I submit that, from past experience, a Rent Review Board, trying to arbitrate complicated matters, involving large amounts of money from numerous cases, dealing

with audited statements (which would, incidentally, increase operating costs), and projections of expenditures, such as replacement reserves, proposed increases in taxes and utilities, etc, would very quickly bog down, and the procedure become unworkable.

The decisions of such a Board would be so delayed as to be totally unequitable.

Disposition of Rent Rollback Monies

Should the Rent Review Board require that any increase over 10% be deposited in a Trust Account during an Appeal, pending disposition of a case, we would be unable to comply, as we simply do not have the money, as we are presently operating on increasing Bank loans and overdrafts.

Return on Investment

Please note that we are attempting to reach a break-even point within two to three years from 1975. Any eventual so-called profits beyond 1977 would be applied towards reducing our previous years losses. We do not forecast realizing any return on our equity until 1979, under the present system of free marketing.

Appeal

We want to be able to appeal any decision of the Rent Review Board which we deem to be unjust or unequitable to a Court of Law. This concept of any citizen being entitled to a fair and impartial hearing is enshrined in jurisprudence, and must not be tampered with.

Constitutionality

In English common Law, retroactivity has always been considered inequitable, and therefore outlawed. We therefore submit that the proposed legislation would be unconstitutional.

Consequences

Should this Bill result in unbearable losses, we will have no alternative but to sell the properties we own to individual homeowners.

We also have made application to CMHC for a loan to cover the construction costs of a 12 units development in Fort Garry. We are delaying this project until this proposed legislation has been dealt with. While we are aware that new projects would be exempt, there is no assurance that similar retroactive legislation could not be enacted again in the future.

The immediate result would be to reduce the availability of 3 Bedrooms, decent rental family accommodations at reasonable rents by a total of 55 units.

While we are presently charging \$235.00 monthly for 5 year old, 1050 square feet, 3BR side by side units in newer neighborhoods, CMHC agrees that the economic rent for a new similar unit would be \$437.00

Comments

There might have been some instances of rent gouging by some unscrupulous landlords in Winnipeg. However, basing a legislation on such a premise would be tantamount to saying that, because some lawyers are in jail, all lawyers are crooks. It appears to us in this case, that a club is being used to kill a fly.

Such a legislation might be attractive to the Government, as it is simple to administer. However, expediency does not replace justice and equity. We are aware that, because of inflation, persons on a fixed income might be placed in precarious financial situations. However, a relief from such predicaments should not be the burden of one class of society, namely the property owners, but rather of society as a whole.

BAYVIEW HOMES LTD.

PER: D. Souchay, General Manager

Brief of Church and Society Committee of Winnipeg Presbytery, United Church
Re Rent Control

We, the Church and Society Committee, support in principle rent control for the Province of Manitoba, at this time. We make the following qualifying statements:

1. Rent control should be enacted, only while the Federal government has in force, wage and price controls.

2. Rent control by itself is not an effective way of dealing with poverty.

During a period of wage and price controls, it seems only reasonable that rents should also be controlled. It is unfair for governments to control some parts of the economy, while there are no controls on basic necessities such as rental costs. We are not advocating rent control on a long term basis, because in a capitalist system any control that picks out one commodity to regulate merely drives capital into other markets. This would probably lead to a degeneration of the housing stock.

The problem of high rents is just one aspect of the problem of poverty. One of the long term ways of dealing with high rents especially as they affect low income families is an income redistribution program - We suggest an adequate Guaranteed Income Program.

We therefore support the Government in its proposal for rent control according to the conditions outlined in this brief.

Dear Sirs:

Time will not permit you to listen to a complete brief from every concerned Landlord as to the losses which, most certainly, will occur with the passing of Bill 19, in its present form.

Realizing that you could not hear personally from every Landlord at the present hearings; we are writing to add our name to the list of Landlords who will be very sorely hurt by a limited rent increase of 10% from the period July 1st, 1975 to (in some cases) June 30, 1977.

Our leasing dates expire throughout the year from the 28th of February to the 31st of October, and any increase coming into effect at the beginning of the calendar year, could only realize a net gain of 49% of that increase by the end of the same calendar year - i.e. leases showing the increase effective October 1st, would not be realized 100% until September of the following year.

Therefore, a proposed control of 10% per year would only realize a net gain of 5% in our income, which won't even begin to cover our rising costs.

While we agree that inflation must be slowed down; we do not feel that forcing Landlords into bankruptcy is the answer.

Yours truly,

(signed) P. White

for Edgewood Developments Ltd.

In response to the question of one of your Committee members last night and to Bill 19 which I have since read, I offer the following comments.

I have explained to you the characteristics of the amateur-landlord group, specifically the resident-landlords who rent out excess space in their own home and I have explained the importance of their social functions in older residential neighbourhoods. After studying the Bill, I am truly concerned about applying the proposed new rent control instrument with its formal procedures to the amateur housing economy. Like the Landlord and Tenant Act, this piece of legislation is written for and applicable to the major part of the rental housing sector. It is too formal for the amateur sector.

Section 33a provides that regulations may be made exempting certain residential premises or classes of residential premises from the application of the Act. If it is possible, I suggest that rental premises in owner-occupied houses (not more than 3 units to avoid over-dividing) be exempted.

If this is not possible or desirable, the next best solution would be to put the onus for claiming a refund from the landlord (section 13) on the tenant. Turnover in many revenue houses is high. (Few landlords use written leases) It could be quite difficult for landlords to track down tenants who have moved in recent months. A not

uncommon problem is a tenant disappearing without notice and owing rent.

I have a few further observations. Section 12 on the frequency of rent increases: this provision would not allow for some catching up with rental cost increases if a landlord has a vacancy more than once a year. For the long run it is not desirable to have rents at a too low level and keep them at too low a level. It impairs maintenance and reduces the market value of the house at re-sale. Run-down (bargain) houses are more likely to end up in the hands of a certain kind of absentee-landlord for whom maximizing return on capital is the only goal. Well-maintained houses and a moderate (but not too low) rent structure are the best protection against slum-landlordism, and the best guarantee of adequate rental accommodation at rents tenants with modest incomes can afford. I suggest that allowance be made for the gradual pulling up of rents which through various circumstances have become too low to make adequate maintenance possible.

Section 27, Notice to tenant as to last rent increase: This puts the tenant (buyer) in a policing position. I am not aware of any industry which under the Anti-Inflation program is required to give consumers a price history. It is quite proper for a Rent Review Board to ask for such information, but I do not like to see the landlord policed by his/her tenants. I suggest consideration of another solution: to make it mandatory for landlords operating . . . (specified minimum) or more rental units to file a written statement as outlined in section 27 with the Rent Review Board, and if tenants wish to check into the landlord's rent policy, they can check with the Board.

Two points that did not come up in the discussion last night and that are in the report I should perhaps mention here also because of their relevancy.

Many resident landlords subsidize tenants: a) by trading off revenue for peace when they have a compatible tenant; b) by unpaid labour (which is not calculated as a cost) for maintenance and repairs. Men and women handle this themselves to the extent that they are physically capable and the more manual skills they have, the greater the do-it-yourself input into the house.

The other point is that most tenants are ignorant about rental costs. I asked tenants: "What in your opinion would be the kind of expenses a landlord would have to make to be able to rent and maintain suites?" Out of 50 responses (10 tenants refused to be interviewed in the houses surveyed or were unable to owing to hospitalization), 23 said "don't know," or "no idea;" 21 could think of maintenance and repair costs only; 5 could think of one or two items in addition to maintenance; and one (a lawyer) gave a complete answer. I have suggested to the Department of Consumer and Corporate Affairs that they publish an educational pamphlet for tenants to explain rental costs and what tenants can do to reduce maintenance costs and wasteful use of hydro and water. Abusive use of rental premises is a difficult rental problem today.

Thank you for the opportunity to discuss my survey results with the Committee and I hope that these comments can be of some use.

M. Bossen & Associates
(signed) Marianne Bossen

Dear Sirs:

It was with surprise and shock that I read in the local newspapers that a Government of this Province proposes to introduce legislation dealing with rent control which will be retroactive in effect. It is a well established tenet of legislative drafting that no act should have retroactive effect excepting in the most unusual and extreme circumstances. There is good reason for this rule of drafting as by making a statute retroactive you are invariably treating those persons affected by it unfairly as they have followed a course of action or done certain things without any prior knowledge of a change in the law which will affect what they have done. Any retroactive legislation makes for uncertainty and tends to create disrespect for law. One of the prime requirements of any well ordered and successful society is a knowledge that the rules under which it operates will not be changed after the fact - in a word certainty.

What is even more reprehensible about this proposed legislation is the fact that not only is it to be retroactive but that it is to be retroactive to July, 1975. I think most people could accept rent control legislation which would take effect October 14th 1975, the date the Federal anti-inflation legislation came into force, but there is no

justification or rationale for a bill making the effective date July, 1975.

I realize there is a feeling held by many legislators that it is really not very important that landlords are unfairly affected as they are rich and can afford to absorb the loss which will be occasioned by this legislation and the benefits to the tenant outweigh the unfortunate effect of the legislation on the landlord. However, a more careful consideration of the situation should make it immediately apparent that in the long run it will be the tenant who suffers. The most immediate and apparent effect of this bill if it is passed will be a complete stop by the private sector of all construction for rental purposes. In addition, those who have rental properties especially single family dwellings, duplexes, etc., will find it more advantageous to sell them. In short order, there will be a severe shortage of rental accommodation which will create severe hardship among those who cannot afford to purchase their own homes or who, because of other circumstances, do not find it appropriate to own a residence. It is true that over the long haul the situation of those who are eligible for Low Rental Housing may be ameliorated through construction by the Manitoba Housing & Renewal Corporation, but in the short haul these people will be just as severely affected as other tenants. But these other tenants who are not eligible for Low Rental Housing and who in our affluent society make up the larger proportion of tenants will suffer severe and continuous hardship through an inability to find rental accommodation. These people will not, when their true situation becomes apparent to them, look very kindly upon any government which has been so ill advised as to pass legislation, so ill inconsidered and unforeseeing that while in the short run has given them lower rents in the long run has resulted in a severe shortage of rental accommodation causing them extreme inconvenience and dislocation and in some cases hardship.

There is another feature of the proposed legislation upon which I feel I must comment. This is the provision that during the first year the only increase in rents allowable will be a flat 10% rise irrespective of the financial return or lack of it of the rented premises. I know that there is a popular image of landlords as gouging money grubbing individuals who care nothing for their tenants and care only to ensure that they get the highest return on their investment possible. This image is not a true one. It may apply to a small minority of landlords, but not to the vast majority. In fact, some landlords have been loathe to increase rents to keep pace with their rapidly increasing costs with the result that I know from my own knowledge as a practising lawyer that there are some landlords who, if this bill is passed and they are forced to roll back rents to a 10% increase, will be in a position where their expenditures are actually in excess of their revenue, in other words they will be actually losing money. Some of the landlords in this position are ones who can least afford to bear a loss and will suffer real hardship because of an inequitable law.

For the foregoing reasons and others which I have not touched upon because of time limitations, but which I am sure will be mentioned by others I most sincerely entreat you not to make the rent control legislation retroactive to July, 1975, but rather to make it effective on the logical and fair date, namely, the date of the Anti-Inflation legislation of the Federal Government which this legislation is intended to supplement, namely, October 14th, 1975.

Your truly,

(signed) William C. Irish, Barrister and Solicitor