

# Rent Control

IS



## Rent Control Options

A CONSULTATION PAPER

**WE WANT YOUR VIEWS**  
You can help the Ontario Government  
develop a new rent control law by  
telling us what you think.

FEBRUARY 1991

**What Ontario  
Wants In Housing**  
Rent control just one  
part

The Ministry of Housing is  
working on an overall plan for  
housing. As well as rent control,  
it includes better use of govern-  
ment land for housing, improved  
quality of life in public housing,  
and increasing the supply of  
affordable housing.

The government believes that  
access to safe, secure and affor-  
dable housing, suitable to people's  
needs, is a basic human right.

**Protection of tenants  
first aim**

In presenting options for rent  
control, the government has three  
main goals:

First, to provide protection for ten-  
ants against rent increases and poor maintenance  
and repairs.

Second, it is to give tenants more  
say in the homes that affect  
their lives and buildings.

Third, it is to give tenants control  
over the quality of their housing  
and buildings.

**One Number To Call**

For information or to order your  
copy of the full consultation paper,  
call 1-800-461-6767.

**A Response to**

**A Consultation Paper from  
The Ministry of Housing  
February, 1991**

**prepared by  
Freedom Party of Ontario**

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OPTIONS WITHIN RENT CONTROL

## OPTIONS WITHIN RENT CONTROL

### ONLY ONE OPTION: STATE CONTROL IN HOUSING

In his opening comments in the NDP's consultation paper Rent Control: Issues and Options, Minister of Housing Dave Cooke states that "The Government of Ontario is committed to the ideal that safe, secure, affordable housing is a basic human right," and that "an integral part of maintaining and protecting existing affordable housing is a system of fair, easily understandable rent control."

Although the consultation paper purports to be a vehicle to assess various options to affordable housing, ONLY ONE OPTION is offered as the basis of discussion: entrenched state control of ALL rental accommodation in Ontario.

To emphasize the point, it should be made clear that the approach adopted by the NDP consultation paper is not entitled "AFFORDABLE HOUSING OPTIONS", but rather, "RENT CONTROL OPTIONS".

### CURRENT RENT CONTROL SYSTEM AVOIDS THE PROBLEM

Ontario's current rent control system is a UNIVERSAL SOLUTION to an isolated problem: the affordability of housing to the lowest income groups in society. However, according to the key objectives defined in the Ministry of Housing's consultation paper, the emphasis of its rent control options is now shifting radically away from the issue of "affordability" to the issue of "TENANT PROTECTION AGAINST HIGH RENT INCREASES."

THIS IS AN UNCLEAR AND INCONSISTENT OBJECTIVE. Why should ALL TENANTS be "protected" against "high rent increases?" Is not the major issue behind rent controls one of protection against UNAFFORDABLE rent increases? It seems that rather than helping only those who require housing assistance and thus alleviate the affordability problem, the NDP approach to rent controls is to give the well-to-do the same benefits. What possible justifiable purpose can be achieved by this universal approach to rent control?

This approach to rent control reveals that the NDP is not really concerned with alleviating the housing affordability crisis in Ontario; rather, it is only concerned with serving three political purposes: (1) it lends the appearance that something is being done for those in need when nothing is really being accomplished; (2) it deflects public attention from the inadequacies of politicians and governments to deliver on their promises; (3) it shifts the blame for political inadequacies to an innocent third party: landlords. This is a breeding ground for continuous conflict and market instability.



RENT CONTROL OPTIONS --- AN IMPOSSIBLE OBJECTIVE

Ontario's New Democrats are accepting an impossible task, one that will cause them a great deal of political grief should they pursue the limited options outlined in the Rent Control consultation paper. Moreover, the outlined options are directly contrary to two of the three main goals sought by the Housing Minister: (1) to give tenants "more say in the things that affect their units and buildings" and (2) to make rent control more "simple and efficient for both tenants and landlords."

The issues defined as "options" within the consultation paper (1) do NOT give tenants "more say in the things that affect their units and buildings" and (2) do NOT make rent control more "simple and efficient."

This is made painfully obvious by the so-called "issues" brought up in the NDP's consultation paper: "Issue: Coverage of Rent Control; Determining If a Unit is Covered by Rent Control; Basis of Annual Rent Increase; Timing of Annual Rent Increases; Factors Justifying Increases Above the Annual Guideline; Extraordinary Operating Costs; Interest Rate Changes; Equalization; Consultant's and Other Fees or Costs; Financial Loss, Economic Loss or Hardship Relief; Allowance for Chronically Depressed Rents; Funding Capital Expenditure Work; Limitations on Capital Expenditures; Transition; How to Ensure Adequate Maintenance of Rental Premises; Challenge to Increases Within the Guideline and Illegal Rents; Agreement on Changes to Maximum Rent; Tenant Compensation for Illegal Rents Charged, Key Money; Maintaining a Rent Registry; Rent Information Recorded; Information Recorded in the Rent Registry; Requirements for Filing Information; Incentives or Penalties to Encourage Registration; Dispute Resolution System; Assistance to Landlords and Tenants by Improving the Process; Improved Enforcement; Revision of the Current Statutory Framework; Extend Coverage of RHPA to Smaller Municipalities; Change The Criteria That Municipalities must Consider when considering an Application; Extend RHPA to cover Smaller Rental Properties and Condominiums; Extend Coverage of RHPA to Mobile Home Parks and Land Lease Communities; Extend Court Powers to order return of Illegally Renovated Units to Former Configuration and to Reinstate Tenants at Former Rents; RHPA and Renovations and Repairs Requiring Vacant Possession.



Most of these "issues" aren't issues deserving the attentions of government. Most refer to the normal responsibilities of landlords as businesspeople. The few that are issues are issues only as a direct consequence of the existence of rent controls in the first place. To suggest that dealing with each of the above-mentioned issues through PRE-DETERMINED options exercised through a political rent control arbitration process is certainly not in keeping with giving tenants more say (i.e., choice), nor is this an outline for a simple and efficient system of rent control for either landlords or tenants.

#### THE DEMOCRATIC RENT CONTROL OPTION

If the Minister of Housing is genuinely sincere about (1) giving tenants a greater say in the things that affect their units and buildings or (2) simplifying the rent control system, we would draw to his attention the submission made to him by John C. Schnurr of MARSHALL RESOURCES LTD., on March 11, 1991. Mr. Schnurr's proposal, within the framework of continued rent control, offers the most feasible option of all: THE LOCAL OPTION at the municipal level.

While FREEDOM PARTY does not endorse every aspect of Mr. Schnurr's submission, in principle, it does meet the criteria set out in the Minister's consultation paper. Specifically, the proposal offers a rent control option that: (1) is self-financing; (2) gives both landlords and tenants a means to develop a system of rent control specifically tailored to their local needs; (3) offers a more stable investment environment within the housing industry; (4) allows a greater degree of mutual consent between landlord and tenant; (5) reduces the back-log of rent review hearings; (6) reduces the pressure on the provincial government to provide affordable housing; (7) gives those directly affected by rent control legislation a direct say in how that legislation will affect them.

Should the Minister of Housing reject serious consideration of this feasible proposal, he will have made it clear that he has taken the position that tenants are not capable of choosing their own solutions.

To deny tenants a direct say in what affects their own personal tenancy is to deny the democratic process itself. With acceptance of the fact that phasing out rent controls is not within the mandate of the current Housing Minister, we strongly urge him to consider the merits of Mr. Schnurr's proposal.

RENT CONTROL IS NO OPTION!



### RENT CONTROLS ARE THE WORST OPTION

If the purpose of continued state-control over rental accommodation in Ontario is to provide "affordable housing", then RENT CONTROL IS THE WORST OF ALL POSSIBLE OPTIONS.

It has long been recognized and documented that rent controls have never been a major factor responsible for the provision of "affordable housing" and that rent controls can only aggravate a shortage in housing supply while making it necessary for governments to force taxpayers to compensate for the state-caused shortages in supply (i.e., "non-profit" state-funded housing). In the long-term, everyone pays for rent controls, and very few benefit.

Given the economic and social record of rent controls, that any government would even consider strengthening rather than phasing out rent controls as a means to insure adequate affordable housing is an admission that such a government is (1) incompetent or irresponsible or (2) that, understanding the failure of rent controls wherever they have been implemented, it is acting maliciously against the housing market in order to promote some hidden agenda.

### RENT CONTROLS VIOLATE RIGHTS

Two of the most basic human rights violated by rent controls are PRIVATE PROPERTY RIGHTS and FREEDOM OF ASSOCIATION --- two fundamental freedoms that have been under attack by socialist and communist government the world over. What is particularly ironic about rent controls in this regard is that they represent fascist policy (i.e., state-control of private property) as opposed to the usual socialist response of state ownership and control of property. Since all socialist governments eventually end up facing bankruptcy, it should not be surprising that they must ultimately resort to forcing the private market to provide socialist benefits.

### WHY RENT CONTROLS?

Because tenants outnumber landlords, THE REAL ATTRACTION OF RENT CONTROL TO POLITICIANS IS OBVIOUS: THEY CAN BE USED TO BUY VOTES FROM TENANTS, particularly if those tenants are falsely led to believe that rent controls work in their long-term interest.



Thus the issue of rent controls has very little to do with the provision of affordable housing, and a lot to do with political opportunism (i.e., the adapting of one's actions, judgments, etc. to circumstances without regard for principles or rights).

RENT CONTROL IS NO OPTION: IT'S A CRIME!

What is even more painfully clear by the subjects regarded as "issues" in the consultation paper (See page 2) is that the New Democrats are about to take over the entire rental accommodation industry in this province. By openly stealing the rights and properties of those who have invested their time and money in creating and maintaining rental accommodation in Ontario, Ontario's New Democrats are openly demonstrating that their brand of socialism is every bit as hostile and corrupt as every other brand of socialism.

WHAT'S "AFFORDABLE"?

One of the most frequent words associated with socialist philosophy is the word "affordable". This word hides a multitude of sins which can be exposed simply by asking a few obvious questions: "Affordable" to whom? Paid for by whom? Why?

It is obvious that what may be "affordable" to one tenant may not be "affordable" to another --- or to the landlord. Obviously, when it comes to rent control, "affordable" is not being applied to the landlord who is being forced to provide his property for the benefit of those who are not willing or able to pay for its true worth. "Free" to one person always means "very expensive" to another.

Since governments are themselves responsible for artificially driving the cost of housing to the unaffordable level for an increasing number of people, it is a futile expectation that they can resolve the increasing inequities and injustices created by rent controls. POLITICIANS AND GOVERNMENTS ARE THE PROBLEM, NOT THE SOLUTION.

High property taxes, development fees, inflationary monetary policies, land transfer taxes, high interest rates, zoning regulations, arbitrary building codes and standards are among the primary causes making housing unaffordable for an increasing number of people.



## RENT CONTROLS

### WRONG IN THEORY; WRONG IN PRACTICE

On the basis of their performance since their inception, rent controls must be condemned on both practical and moral grounds. They are objectionable in practice because they do not work; they are morally reprehensible because they violate individual rights.

When rent controls were first introduced to Ontario in 1975, they were justified as a necessary reaction to that period's inflationary surge (caused by government!). Even though average rent increases in 1974 were lower at 8.3% than the general increase in prices of 10.9%, a cry went out for rent controls to parallel the federal government's **wage and price controls**. Assurances were made that these controls would "only be temporary" and would expire with the expiration of other government-imposed controls.

Needless to say, that never happened. (This should be a clear lesson to all on the value of political assurances.)

To understand the practical failures of rent control, consider the findings of the Fraser Institute which objectively analyzed the effect of rent control in six different countries over the last half-century. In every case, government intervention produced a mix of housing deterioration, haphazard income redistribution, an increase in racial tensions and discrimination, a decrease in tax base, a reduction in labor mobility and a reduction --- often to zero --- in apartments available for rent.

Worse, when shortages occur, the government continues in the error of its ways by trying to compensate for the shortfall through the creation of "low-cost" housing --- housing that is heavily subsidized by all of us, and which is usually inferior in quality. Almost all slums in Ontario were expressly built by government in an attempt to do something about the legacy of rent controls, our catastrophic social welfare system, and taxes and controls levied against the construction industry.

To understand why rent controls are morally objectionable, consider that great common-law precept inherited from ancient Greece and underlying much of modern law, namely, the doctrine of **isonomia**, which states that "The law must bear equally on all, and not favor one citizen over another."



Bearing this principle in mind, consider what rent control legislation actually does: it prevents landlords from exercising their right to the fair market value of the service they provide, a right freely available to all their fellow citizens. It forces landlords to give an unearned and unagreed-to benefit to tenants, without recompense. It limits landlords' income but not their costs. It reduces the value of their property, and it erodes their right to property by requiring them to expend a good twenty to thirty hours of unpaid labor should they choose to appeal to the Residential Tenancies Commission.

And are our politicians punished for their legislative assault on the rights of this particular minority group? Not at all. They are, in fact, rewarded by grateful tenants who, falsely believing that they are benefitting from the process, give them votes bought and paid for by blatant discrimination against the landlord.

#### RENT CONTROLS ARE PEOPLE CONTROLS

Freedom Party believes that the purpose of government is to protect our freedom of choice, not to restrict it.

When landlords lose their freedom of choice, we all lose, because our acceptance of discrimination against one particular group of individuals merely sets the stage for another group of individuals to be exploited for political gain. And of course, this is happening all the time.

Rent controls, like all government controls, are really people controls. And people --- all people --- are entitled to their freedom of choice.

RENT CONTROL IN PRACTICE

(1) Taxpayers shell out over \$41,000,000 annually to pay for a rent control system that does not produce the results promised and that violates private property rights and freedom of association.

(2) Few new rental units have been privately built without some form of government subsidy, meaning that taxpayers must pay again.

(3) Statistics indicate far too many people who need low cost housing, which controls were supposed to ensure, simply aren't getting such accommodation.

(4) Rental construction has been shrinking in Ontario compared to total housing since the early 1980's.

(5) The Ontario government is forcing taxpayers to shell out \$35 million in 1991 towards housing projects, including \$15 million to help private landlords carry out major repairs on low-rise buildings.

(6) Tenants have been sold a false sense of security through rent controls, and are now finding themselves faced with low vacancy rates often feel trapped in what they may describe as "crummy apartments".

(7) LANDLORDS IN ONTARIO ARE OPERATING UNDER A DICTATORSHIP: (a) they are told how much they may ask for their apartment units; (b) they are told what condition their buildings must be in; (c) they are told who they must rent to; (d) they are told that they cannot convert their properties to other uses (usually in an attempt to escape rent controls); (e) they cannot evict tenants on grounds other than those which are state-approved; (f) they cannot repair their units or buildings when they want to; (g) they are told when they must repair their units; (h) they are threatened by fines and jail sentences if they try to circumvent rent controls by charging "key" money (a common practice in all rent-controlled jurisdictions) to desperate tenants who are obviously willing to pay for the opportunity of accommodation denied them by rent controls.

(8) The greatest beneficiaries of rent controls are the well-to-do who choose to hang on to artificially underpriced rental units, thus depriving their availability to those in need.



### THE MILLION DOLLAR QUESTION

The right to charge high rents --- in a free market --- ultimately benefits all: landlords, tenants, taxpayers. Moreover, as strange as it may seem to those who do not understand the workings of the marketplace, the right to charge high rents ultimately produces the lowest rents possible.

To illustrate this principle, consider the following extreme proposition (applicable only in the absence of rent controls):

Suppose that a landlord offering to rent an apartment unit wants to ask the unheard-of exorbitant rent of \$1,000,000 per month. Of course, it would be very unlikely that anyone would take him up on his offer. As a consequence, he would either be forced to (1) lower his rent or (2) remove his apartment unit from the rental market.

But suppose that some prospective tenant, for whatever reason (as unrealistic as it may seem), was willing to pay this amount to the landlord. How would this affect the rental accommodation market?

Firstly, the landlord would have a tenant and the tenant would have accommodation. This not only benefits both parties to the transaction (otherwise the transaction would not have taken place), but also benefits other prospective tenants. After all, there is one less tenant in the market to compete with.

But more significantly, the landlord would be receiving an important economic message: that there is a profit to be made in providing tenants with accommodation. Thus, he will have been given a very strong incentive to provide MORE accommodation for more tenants.

Therefore, it is quite likely that the landlord will increase his supply of rental accommodation. In so doing, he is accepting a risk: that he will be able to find tenants willing to pay the high rents he wants for his units. At a million dollars per month, this would be quite unlikely and he will be forced once again to consider the two options open to him: (1) decrease rents or (2) withdraw from the marketplace. However, having already made his investment, it is far more likely that he will choose the first option: decrease rents.



By increasing the supply of rental accommodation, the landlord has found that he cannot escape the universal economic law of SUPPLY AND DEMAND. It is this law that ultimately determines PRICES: an INCREASE in SUPPLY always causes a DECREASE in DEMAND and the result is always LOWER PRICES.

Now let's consider the same scenario under rent controls: a landlord wants to charge \$1,000,000 per month for his unit and has found an eccentric tenant willing to pay his asking price but is prevented from entering into a contract with the tenant because his right to his property has been restricted by the state through rent controls. He is not permitted to charge more than \$700 per month for his unit. How would this affect the rental accommodation market?

Of course, he could rent to the prospective tenant at \$700 per month and as before, he would have a tenant and the tenant would have accommodation. Up to this point, little difference is observed between this scenario and the former scenario without rent controls. Unfortunately, this is as far as our politicians seem to be able to understand the inherent folly of rent controls.

Under rent controls, the landlord is receiving quite a different economic message: that there is very little or no profit to be made in providing tenants with accommodation. Even more significantly, he is also receiving a strong political message: that anyone who chooses to enter the rental accommodation market will be denied private property rights and thus not be able to control his income or expenses.

Under such circumstances, it is easy to understand why the landlord will forego investing in the creation of any more rental units: his money is best invested elsewhere, in some area where his rights are being protected and where he has a better rate of return on his investment.

Under rent controls, supply of rental accommodation invariably decreases, causing an upward pressure on rents due once again to the inescapable law of SUPPLY AND DEMAND. NET RESULT: REDUCED RENTAL SUPPLIES FOR TENANTS.

Thus, in attempting to control rental prices for political gain, politicians have placed their own self-interest above the interests of their constituents, including landlords and tenants alike.

This leads us to a MULTI-MILLION DOLLAR QUESTION: Can Ontarian's really afford the continuation of rent controls?



THE LONG-TERM SOLUTION TO AFFORDABLE HOUSING  
IN ONTARIO

- (1) ALL NEWLY CONSTRUCTED RENTAL ACCOMMODATION IN ONTARIO SHOULD BE ENTIRELY EXEMPTED FROM RENT CONTROLS.
- (2) EXISTING RENT CONTROLS SHOULD BE PHASED OUT OVER A FIVE-YEAR PERIOD.

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This proposal to the  
Ministry of Housing  
for  
the Province of Ontario

has been written and prepared by  
Robert Metz  
(Ontario President - FREEDOM PARTY OF ONTARIO)

on behalf of the  
FREEDOM PARTY OF ONTARIO

April 3, 1991

APPENDIX





COVERING LETTER TO MINISTER OF HOUSING

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**Freedom Party ... YOUR NEW CHOICE, NOW**

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Freedom Party of Ontario, P.O. Box 2214, Stn. 'A', London, Ontario N6A 4E3 (519) 433-8612

April 3, 1991

Honourable David Cooke  
Minister of Housing  
CONSULTATION PAPER ON RENT CONTROL  
Ministry of Housing  
777 Bay Street, 10th Floor,  
TORONTO, Ontario  
M5G 2E5

Dear Mr. Minister:

Enclosed for your consideration is the official submission on RENT CONTROL OPTIONS on behalf of the officially-registered Freedom Party of Ontario. Although Freedom Party's principled position against rent controls is admittedly incompatible with the views of the current NDP administration, I would strongly urge you not to dismiss our submission out-of-hand.

As you will see by reviewing the enclosed, the first part of our submission does entertain options within rent control. Within this context, we have endorsed in principle the submission made by John C. Schnurr (see page 3 of our submission) and received by you on March 11, 1991. Rather than repeat Mr. Schnurr's proposal in its entirety, I leave it to you to re-examine and evaluate its merits within the framework of your own stated objectives.

A move in the direction proposed by Mr. Schnurr will be a positive signal to all involved interests that you are willing to recognize that tenants and landlords in Ontario are capable of choosing their own solutions to the housing affordability crisis in Ontario.

Sincerely,  
FREEDOM PARTY OF ONTARIO

Robert Metz  
Ontario President



# Rent Control's Failures Are Old News

TORONTO STAR  
February 7, 1988

## INSIGHT

SI  
Pag

### Rent Control Why rent-review system isn't working

THE SOLUTION  
OR THE PROBLEM?

By David Israelson  
Toronto Star

Chaviva Hosek says this is simply out  
of the question.

work," Hosek said.  
But it won't work, Thom insists. His  
report, which took five years to pro-

inflation over the past 1  
are equally unfair

## Province has tunnel vision on rent control

Ontario Housing Minister Dave  
Thom's announcement of a freeze  
on rent increases in the  
provinces of Ontario and  
Quebec is a move that  
the N. A. A. H. has  
the threat of  
development  
in the  
rental market  
to be rep  
rental in  
rates.

major renovations like roof repairs,  
plumbing, heating and elevators fol-  
low. Inevitably, this will lead to a  
rental market that is not viable.

control.  
So what, some might say, money  
that doesn't go to developers in rent

plenty of rental accommodation avail-  
able there. Arizona is another juris-  
diction without rent controls, but

able. Then take some of the  
resources being squandered on the  
current, but rent review

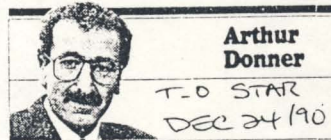
## Why rent controls just don't work

### Distortions in housing market create huge problems

The recent action by the Ontario govern-  
ment to limit landlords from passing on the  
costs of renovations and repairs under rent  
controls prompted a landlord group to place a  
hysterically anti-Ontario advertisement in the  
Wall Street Journal.

Although the landlord response was inap-  
propriate, the crux of their case merits consid-  
eration.

Rent controls are not a long-term solution to  
meet the housing needs of low income Cana-  
dians. Rent controls are failing in Ontario de-



Arthur  
Donner

T.O. STAR  
DEC 24/90

The figures in the accompanying table indi-  
cate that Ontario's last housing boom virtually  
bypassed the commercial construction of rent-

This is because so much of the last economic  
boom was centred in this city.

Figures from the federal agency Central  
Mortgage and Housing Corp. also indicate that  
governments assisted 3,747 new units of social  
housing last year. (Social housing is defined as  
assisted rental housing plus co-ops.)

In other words, about a third of total rental  
units built in 1989 were directly the result of  
government programs. So government is al-  
ready a large supplier of rental units.

Yet, based on the 1983 ratio of rental units

NEROSITY

## Housing Starts



	1983			1987			1989		
	Rental	Total	% rental	Rental	Total	% rental	Rental	Total	% rental
Quebec	7,383	33,646	22.0	26,754	66,757	40.1	14,960	41,859	35.7
Ontario	14,546	50,270	28.9	15,078	93,900	16.1	11,436	81,026	14.1
B.C.	3,786	18,297	20.7	2,691	26,461	10.2	3,337	34,643	9.6
All prov's	36,386	134,207	27.1	49,995	215,340	23.2	32,364	183,323	17.6

Population centres 10,000 and over.

SOURCE: CMHC, December 1990.



# Rent ceiling helping well-to-do

## Units 'hoarded' at expense of needy, poll finds

By Gordon Sanderson

London Free Press 1990

TORONTO — Upper-income tenants are "hoarding" rent-controlled apartments in Ontario's major cities at the expense of the needy, according to a survey released Tuesday.

At least 34 per cent of tenants in London, Hamilton and Ottawa are paying less than 20 per cent of their income for rent, says the Fair Rental Policy Organization of Ontario.

In contrast, the survey of 200 apartments and townhouses in each city during the last week of

January found up to 78 per cent of low-income tenants spend more than 30 per cent of their income on rent.

And in Metro Toronto, the percentage of tenants whose controlled rents represent less than 20 per cent of their income has more than doubled in two years — to 48 per cent of 300 surveyed from 23 per cent in 1986.

"It means high-income tenants live in rent-controlled units at the expense of the truly needy," said John Bassel, chairman of the Fair Rental Policy organization. "We call these tenants hoarders. And the situation is getting worse."

The rent control system is aiding the wrong people, according to Bassel who heads a non-profit organization representing developers, builders, owners and managers of 200,000 rental units across the province.

The remedy, said Bassel, is a gradual phasing out of rent controls, coupled with an improved level of shelter allowances for those paying more than 30 per cent of their income on rent.

Both these actions are recommended in the recent report of the Stuart Thom commission which spent almost four years and \$3.1 million studying the effect of rent

controls.

Thom, a Toronto lawyer, advocated a gradual return to what he called "fair market" rents over five years, based on supply and demand, which he estimated would see an over-all increase in rents province-wide of \$300 million annually.

The four-city survey, designed and conducted for the Fair Rental Policy Organization, showed that 93 per cent of tenants in London, Hamilton and Ottawa with incomes between \$35,000 and \$50,000 pay less than 20 per cent on rent. In the over-\$50,000 category, 100 per cent spend less than 20 per cent on rent.

## End rent control and help tenants

BY PETER CAMPBELL  
Contributing Editor



Rent-control advocates tend to clothe themselves in community social conscience and lash out at gouging landlords. Opponents focus on the resulting inevitable deterioration of the existing rental-housing stock and the diversion of developer interest to the construction of non-rental accommodation. Under rent control, over time, vacancy rates on existing rental housing fall to zero. Consequently, rental quality deteriorates. Meanwhile, the wrong kind of housing gets built, such as speculative condominiums or monster homes. The government has to intervene more and more to try to solve the affordable-housing problem. Bureaucratic structures beget more bureaucrats and we end up with a public-housing policy that guarantees that the cycle of poverty will not be broken for the inmates of public housing.

Alberta does not have rent control. There is an ample stock of rental accommodation and rents are probably lower than they were as much as 10 years ago. Texas does not have rent control. There is lots of rental accommodation available there at rents well below a few years back. It's the same in Arizona. Developers and landlords really have to hustle, keeping their prices down, and the quality up, to attract tenants. The tenant is king. Rents in Alberta, Texas and Arizona are a fraction of what they are in Ontario. What kind of housing policy do these areas have? Simple. They let the market work.



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BUILDER**  
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## EDITORIAL



# Rent Controls—Who Wins?

There's a perception that government rent controls protect and help the little guy—meaning tenants. And the NDP government's implementing of stricter controls—tied only to the rate of inflation with no bonuses to landlords for capital or financing costs—reinforces this perception.

A perception that, once you examine the facts, is really out in left field.

Established in 1976 as a temporary measure to control escalating rents, it's ballooned into a complex system scorned by tenants and landlords alike. Both complain that a system originally designed to serve them is now chaotic, time-consuming and costly. So costly that taxpayers shell out more than \$41 million a year to pay for something that doesn't work.

Tenants complain that landlords are routinely granted rent increases beyond the annual limit, while landlords contend they need help in paying for repairs and renovations to maintain existing rental stock. Vacancy rates across the province are unacceptably low and, over the past ten years, few new rental units have been privately built without some form of government subsidy.

The government and many tenants claim that revamping the system with increases tied to the rate of inflation would be a simple and fair scheme. Simple maybe, but fair to whom?

Obviously landlords think it's unfair that they may either have to eat the cost of upgrades or stand by and watch their investment deteriorate physically and financially.

But in the long run it's particularly unfair to tenants. Statistics indicate far too many people who need low cost housing, which controls were supposed to ensure, simply aren't getting such accommodation. The huddled bodies lying over subway grates, the families forced to sleep in abandoned buildings and the shelters who turn away the homeless night after night attest to this growing tragedy more eloquently than statistics.

And what about tenants who are reluctant to move because they are enjoying such a good deal in rent? They're not benefitting in the long run either. Studies show such tenants would have made a lot more money in the past 10 years by buying an affordable home rather than continuing to rent and investing their savings elsewhere. And how many tenants do, in fact, invest that saved income?

A couple of former renters I spoke to recently were paying \$325 in rent when they married eight years ago. They scraped up a tiny downpayment, mortgaged themselves to the hilt, and bought a single detached home for \$54,000, which they subsequently sold for \$120,000. They then built their dream home for \$155,000, which is now worth over \$200,000. They readily admit they weren't investing their savings while paying low rent, and only by taking the plunge into homeownership have they built security and growing equity.

Landlords, tenants, the poor and taxpayers. Tell me—who's winning with rent controls?

*Norm Kennedy*