



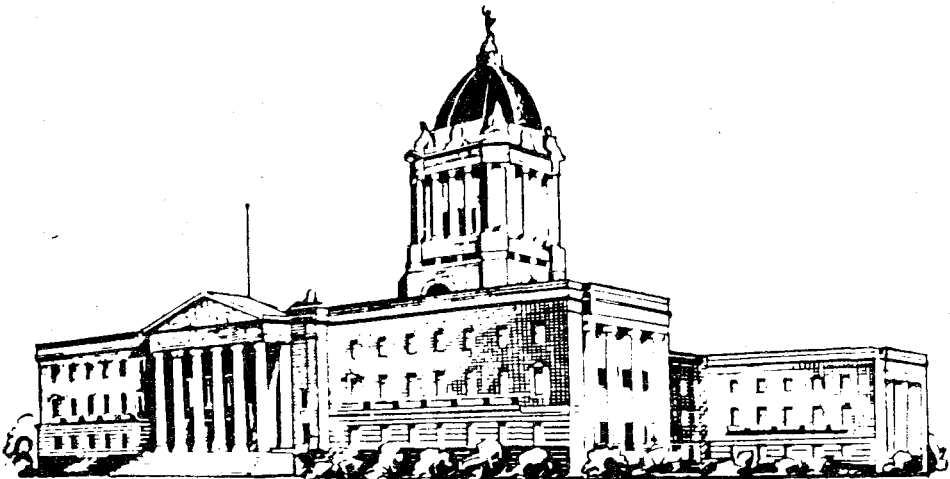
Legislative Assembly of Manitoba

HEARINGS OF THE STANDING COMMITTEE

ON

LAW AMENDMENTS

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



8:00 p.m., Monday, April 5, 1976.

THE LEGISLATIVE ASSEMBLY OF MANITOBA
STANDING COMMITTEE ON LAW AMENDMENTS
8 p.m., Monday, April 5, 1976

Chairman: Mr. William Jenkins

MR. CHAIRMAN: Order please. We'll be proceeding without a quorum but I think in the main we're wanting to hear people's presentations. Now it has been drawn to my attention that this morning a Mr. John Solima from Portage la Prairie was called. We've always tried to give some chance to people from out of town, and I understand that he is here tonight. Is it the will of the committee that he be heard at this time?

MR. . . .: Any others from out of town?

MR. CHAIRMAN: Not to my knowledge. He was on the original list, yes. As far as I can see, I don't . . . Mr. Solima?

MR. BILTON: Mr. Chairman, on your one point there that there wasn't an entire quorum and you wished to proceed. For the edification of people that are making briefs, I think it might be wise if you inform them that everything is being recorded anyway, insofar as what they say.

MR. CHAIRMAN: Oh, yes. At the first meeting that the committee held it was decided that the proceedings would be all recorded, they will appear in print. Mrs. Solima? Perhaps I've got it down wrong, I've got you down here as John.

MRS. J. SOLIMA: Well, not really, my husband and I work together.

MR. CHAIRMAN: Oh, I see, fine.

MRS. SOLIMA: If you don't mind, I'll present the brief.

MR. CHAIRMAN: Would you proceed, please, Mrs. Solima.

MRS. SOLIMA: From the outset, we wish you to understand that we are not against the anti-inflation legislation nor against a fair control on rents. However, as Bill 19 stands in its present form, it does not give us a chance. We own and rent several homes and apartments in Portage la Prairie, working for ourselves and no one else, and we have no one backing us financially.

Going back to July 1, 1975 is unfair. If this date was forwarded to January 1, 1976, it would give us a far better chance.

In comparison to 1975 over 1974, our overall costs rose approximately 45 percent. In the past year labour costs have risen sharply, material and maintenance costs are up, administrative costs have increased and the following costs have skyrocketed: utilities by 35 percent, insurance doubled, and our property taxes rose 54 percent over all our buildings. This may sound ridiculous but we did a lot of work in our buildings and when the assessment went through, this was the result.

In comparing 1975 to 1976, so far we have had raises in the vicinity of 45 percent. Mortgage rates have risen $2\frac{1}{2}$ percent - upped by the mortgage company after the 5-year period. Water rates have risen 150 percent, effective January 1, 1976. Hydro has risen over 20 percent, effective April 1, 1976 and we recently received a gas raise of about 5 percent. Also, in speaking with a city alderman recently, we were informed that our tax raise this year would be at least 10 percent, possibly more, depending on certain conditions.

We had raised rents on some of our buildings before this bill was introduced to cover our rising costs, which is not enough. We may be beyond the 10 percent allowed. There are places where we should be raising \$50 per month, but do not feel we can raise this amount all at once. Therefore we have been raising reasonably, and bringing the rents up in stages so as not to discourage the tenants. It seems that the landlord is at least 9 months to a year behind all the raises on utilities, taxes, etc. that have come in meanwhile. We try to be fair with our tenants. As you know Portage la Prairie is not a big city, we do not have the industry Winnipeg has so our tenants are not in high income brackets.

Building A is town housing and is broken down per unit monthly. For May 1975 the mortgage payments, interest, principal and taxes were 135.88; insurance was \$4.00, with a total cost of 139.88. The rental revenue was \$165.00, giving us a profit of \$25.12. A tax raise effective October 1, 1975 was \$25.00 per unit, giving us a profit of 12 cents per unit.

(MRS. SOLIMA cont'd)

We put in a rent raise effective February 1, 1976 of \$15, giving us a rental revenue of \$180.00. Effective May 1976 the new mortgage rates, principle, interest and taxes were \$183.20, the insurance is \$5; giving us a total cost of \$188.20. With our rental revenue of \$180.00 we are subsidizing our tenants to the amount of \$8.20 per unit.

Building B is a fourplex which was bought in the spring of 1975 at a cost of \$38,000, which was about ten years old and was owned by shareholders. This building was in very bad condition and cost over \$6,000 to completely renovate inside and outside, bringing it up to excellent shape. The \$6,000 is not included in the price of the building. The total cost per month including mortgage, taxes, utilities and insurance is \$693; the rental revenue at \$170 per unit is \$680, therefore we're subsidizing \$13.

There is no room for administrative costs or maintenance and repairs in either of these buildings. Other buildings we own are close to the borderline. As a matter of fact, we are subsidizing tenants in about 12 buildings where the increases have been so great that we cannot catch up.

The way the bill stands now we will be forced to declare bankruptcy or sell out at a loss, and we are not alone in this respect in Portage la Prairie.

This bill does not allow room for maintenance, repairs and administrative costs, which so far have all come out of our profits. Now we will have no profit at all and will have to work in the red, which we cannot do.

In Portage la Prairie, where we do not have the high risers and big apartment buildings, we have a variety of homes. We do rent to the welfare people. We have a good reputation with them, so therefore they screen their tenants carefully before they recommend them to us. Also, we do our own screening ourselves. We work with the landlord and tenant act fully, which means once a tenant steps out of line according to the act, they are given notice to vacate. In this the welfare department stands behind us fully. We have had good co-operation with the Rentalsman, they know us quite well, and have given us a lot of good legal advice as to how to handle our problem tenants.

We do not as yet have our 1975 financial statement, however a copy can be mailed to you upon completion by our accountant, probably sometime in May, which will show a substantial loss for 1975.

MR. CHAIRMAN: Thank you, Mrs. Solima. Mr. Craik.

MR. CRAIK: Mrs. Solima, how many units do you operate all told?

MRS. SOLIMA: Approximately 54.

MR. CRAIK: 54 all told.

MRS. SOLIMA: We're not like some people in Winnipeg, with a couple of thousand units.

MR. CRAIK: Oh well, most of the people that are appearing here operate less than 54. But do you do this as a full time occupation?

MRS. SOLIMA: Yes.

MR. CRAIK: You and your husband?

MRS. SOLIMA: Yes, we do.

MR. CRAIK: Actually if you're running in the red and you're not charging out administrative costs . . .

MRS. SOLIMA: No, we're not.

MR. CRAIK: . . . how do you manage to keep going them?

MRS. SOLIMA: Well, not charging administrative costs does help.

MR. CRAIK: If it's your livelihood though you must be drawing some sort of income from it.

MRS. SOLIMA: We are living on a small private income of our own.

MR. CRAIK: Are you in the business then primarily to build an estate or an equity or . . .

MRS. SOLIMA: This is what we've been trying to do, yes.

MR. CRAIK: In your cost breakdown here on your mortgage costs, you're including principal payments in that?

MRS. SOLIMA: Yes.

MR. CRAIK: Along with your interest as well.

MRS. SOLIMA: Yes.

MR. CRAIK: So your approach appears to be that as long as they break even - what you're doing - and paying off the principal, you're building that equity up, but you're not really depending on these 54 units to provide you with bread and butter.

MRS. SOLIMA: No, we're hoping that in the not too distant future that this would happen. When we first started into this business we were doing quite well and we did have a good profit.

MR. CRAIK: What year did you start?

MRS. SOLIMA: In 1972.

MR. CRAIK: You've only been in it a short while then?

MRS. SOLIMA: Yes.

MR. CRAIK: Do you mortgage them pretty highly, do you take out big mortgages on your units primarily?

MRS. SOLIMA: We put as much of a down payment as we possibly can. Some of them are highly mortgaged and some of them have had substantial down payments.

MR. CRAIK: And some of them are falling under the five year mortgage expiry term?

MRS. SOLIMA: Yes.

MR. CRAIK: Mr. Chairman, I haven't any other questions.

MR. CHAIRMAN: Mr. Henderson.

MR. HENDERSON: Yes, you mentioned in there that you thought it should only start on January the 1st, 1976. Was your main reason for that because you thought the rollback was too far or because of your income tax, because you need income tax in your . . .

MRS. SOLIMA: Not because of the income tax. Because of rollbacks mainly. If there is a rollback.

MR. HENDERSON: Would you be in favor of it being rolled back to when the Anti-Inflation Board made their announcement, which was on . . .

MRS. SOLIMA: October 14th?

MR. HENDERSON: Yes.

MRS. SOLIMA: Yes, sir.

MR. HENDERSON: Is this chart of your's based on complete occupancy?

MRS. SOLIMA: Yes. We usually do have pretty well complete occupancy. Places in Portage are very scarce.

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

MR. CHAIRMAN: Any further questions? Mr. Bilton.

MR. BILTON: I noticed in your remarks that you said that you had been in touch with the Rentalsman, no doubt with problems, and they had co-operated and you appreciated the assistance you had received from the Rentalsman.

MRS. SOLIMA: Very definitely.

MR. BILTON: During the past year insofar as tenants are concerned, have you had any that have damaged your property at all?

MRS. SOLIMA: We had one move out last summer which cost us \$1,200 to repair a two bedroom suite.

MR. BILTON: Cost you \$1,200?

MRS. SOLIMA: Yes, sir.

MR. BILTON: And did they owe you any rent?

MRS. SOLIMA: No, sir, they were up with their rent but they had damaged the suite to that extent.

MR. BILTON: And you find that your association with the Department of Welfare has been excellent also?

MRS. SOLIMA: We have had wonderful co-operation with them. The tenant that left the unit in that condition was not on welfare.

MR. BILTON: Do you find that the tenants coming in under their auspices are pretty decent people and do a pretty good job?

MRS. SOLIMA: The ones that they send to us, yes, sir.

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

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: One further question, Mrs. Solima. If there's a rent review process

(MR. CRAIK cont'd) used where you can submit your books and so on and determine your pass through costs and other costs that are allowed, does the period at which the Act comes into effect have that much importance? You indicate here that January 1 is important to you. Other dates have been mentioned, October 14th and July of '75. If the review process in fact has the intent of providing you with an income, or at least prevents you from going in the red or whatever it does, if your situation's as bad as you indicate here, does it make any difference when it takes effect, providing it's subject to review and ratification by the Review Board? You didn't mention it here, but the Minister has announced that there will be a review process, it won't be a case of across-the-board percentage applied, that in fact all of these will be subject to review by the Board.

MRS. SOLIMA: As long as we're able to charge the rents that covers all our expenses and not only that, give us a margin of profit . . .

MR. CRAIK: Your brief begs the question as to whether, if you're operating this close to the line or operating in the red, a review process if it's applied fairly, may in fact put your rents up higher than what you have them.

MRS. SOLIMA: Some of them . . . as I stated, Portage is a small town or a small city, and the rents can't go too high. We have to watch that. But if our costs could be covered and giving us a margin of profit, it would be far more satisfactory.

MR. CRAIK: Thanks very much.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I'd just like to ask this. You have down here as of May 1975 in the townhousing \$135 rental rate.

MRS. SOLIMA: That was the mortgage rate.

MR. AXWORTHY: That was the mortgage rate. The full rental rate is - what would be the rental per unit?

MRS. SOLIMA: \$165.00 per unit.

MR. AXWORTHY: \$165.00 per unit. Now you say in the brief that you're not against the idea of having some form of rent scheme applied, but one that would allow you to carry the costs that you have to bear and still make some return. Presuming there was a way of doing that, there was a formula discovered for doing that, what kind of rent would you see yourself having to charge, let's say, a year, from that \$165.00 rate. What kind of rent would you be talking about?

MRS. SOLIMA: To cover our expenses now?

MR. AXWORTHY: Yes, in that unit.

MRS. SOLIMA: It would have to be pretty close to \$200.00.

MR. AXWORTHY: So you'd have to increase your rent by about \$35.00.

MRS. SOLIMA: Well, at the moment it's \$180.00.

MR. AXWORTHY: It's \$180.00. But I'm going from \$135.00 back, presuming it was July 1st date, you'd have to go right back to that point.

MRS. SOLIMA: Yes.

MR. AXWORTHY: So you'd have about a \$35.00 increase, eh?

MRS. SOLIMA: Yes.

MR. AXWORTHY: If you were to get that increase, let's say in that first instance to catch up your costs, would you then be able to moderate the rental increase by about ten percent thereafter, do you think?

MRS. SOLIMA: Yes.

MR. AXWORTHY: Would you be able to?

MRS. SOLIMA: Yes.

MR. AXWORTHY: So, again, it's just a matter of providing some way of catching up costs on this basis.

MRS. SOLIMA: Yes.

MR. AXWORTHY: One other question I have is, that it seems that one of the problems that you're running into and I think that others have run into, is this problem of the renegotiation of the mortgage rate; and your interest rate has gone up from what in 1975 to the new one?

MRS. SOLIMA: $9\frac{1}{4}$ to $11\frac{3}{4}$.

MR. AXWORTHY: $9\frac{1}{4}$ to $11\frac{3}{4}$?

MRS. SOLIMA: Yes.

MR. AXWORTHY: So presumably if there was a way of getting mortgage money at a rate comparable to what you were paying in May '75, that would reduce the pressure upon the rental increases. Is that right?

MRS. SOLIMA: That certainly would.

MR. AXWORTHY: Yes. We have heard proposals, in fact I've even submitted proposals I suppose of our own, about providing mortgage lending for rental apartments. Is that something that you would agree with if there was a way found of using capital for the housing market in that way, that would give you a mortgage rate around ten percent?

MRS. SOLIMA: Yes.

MR. AXWORTHY: So you wouldn't object terribly at taking government money at ten percent to do that, eh?

MRS. SOLIMA: Well, it would be a big help, wouldn't it?

MR. AXWORTHY: Okay, thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mrs. Solima.

MRS. SOLIMA: Thank you.

MR. CHAIRMAN: Mr. J. Yurkiw.

MR. YURKIW: Mr. Chairman, Honourable Minister and members of the committee. My name is Joe Yurkiw. I'm representing my father, W. Yurkiw, and we operate an apartment of 47 suites. We have been in the apartment business for 20 months, so we're not experts by any stretch of the imagination. We've got a lot to learn about it.

However, when the announcement was made that there were going to be rent controls, naturally we were concerned. And when another announcement was made that we could make representations to the Law Amendments Committee, I was naturally excited, I got my pencil out and I made some notes. Now I came here on the first day of the hearings and after watching the old pros at work, Mr. C.N. Kushner, and Mr. Bergen, then I looked at my piddly little brief and I thought, well I really don't have a brief to present. However, I'd gone so far and I thought, well, I'll proceed. But as I sat here listening to the hearing, I began to wonder really do I know enough about the apartment business to be able to intelligently converse about it. Because I failed to understand on that particular morning just why there should be a difference, where a landlord pays ten percent down and mortgages 90 percent of his building and another landlord that has his whole building paid for. I couldn't understand this.

I didn't hear any objections to the mortgage company getting its ten or eleven percent; yet, there was talk, you're making money on your money. Is it immoral to make money on your money? So I sat there and I listened to it. I came back today because I received a phone call saying either come or else forever hold your peace. So I came, and this morning it didn't help me either, more talk in this respect. However, I'm going to proceed with my comments here as I have them written down. Much has happened since I wrote them down and I'll pretty well be giving them to you just the way I have them down.

First of all I'd like to comment on the fact that I'm quite taken aback as to why the government is following an empirical course in the implementing of rent controls. I really can't understand this. Mr. Poapst this morning he mentioned the book, he referred to the book Rent Control, in fact he stole some of my thunder. However, a few points that I'd like to mention if I may on what rent controls has done in France.

In France it has been there for fifty years and we find that rents are very low, there are no lodgings available nor are any being built. Practically none have been built for the last twelve years. There are some 84,000 buildings for habitation in Paris; 27.2 percent of them were built before 1850; 56.9 percent before 1880; almost 90 percent of the total were built before the First World War. Most of the additional new building was carried out immediately after that was then it slackened, and by 1936 it had practically stopped. Even a very lenient officialdom estimates that there are about 16,000 buildings which are in such a state of disrepair that there is nothing that can be done but to pull them down; and neither are the remainder altogether satisfactory.

Eighty-two percent of Parisians have no bath or shower, more than half must go out of their lodgings to find a lavatory and a fifth do not even have running water in their lodgings. The book gives an example here, just one example I'd like to show before I

(MR. YURKIW cont'd) pass on to something else. And that is a lady who owns three buildings containing 34 apartments which are inhabited by middle class families. Her net loss from the apartments after taxes and repairs is \$80.00 a year. Not only must her son put her up and take care of her, but he must also pay out the \$80.00. She cannot sell. There are no buyers.

The miserable condition of owners is easily explained. While rents since 1914 have at the outside multiplied 6.8 times, taxes have grown 13.2 times and the cost of repairs has increased from 120 to 150 times the 1914 prices. Now you may say that that is kind of extreme. The book gives other examples like the City of New York which has had rent controls in effect since 1943 and is in the process of decontrolling its rents. And I might mention though, now I don't blame rent control for this, but the City of New York, actually New York apartment owners, will reportedly abandon an estimated 50,000 dwelling units in 1976, after having abandoned about 35,000 units annually in recent years. Like I say, you can't blame rent controls for this but if rents are so high why cannot they repair them? And if they're too far gone to repair them, why can they not replace them?

This particular book that I mention is unanimous in its criticism of rent controls because it says that in every country examined, the introduction and continuance of rent control, restriction, regulation, has done more harm than good in rental housing markets, let alone the economy at large, by perpetuating shortages, encouraging immobility, swamping consumer preferences, fostering dilapidation of housing stocks and eroding production incentives, distorting land use patterns and the allocation of scarce resources, and all in the name of distributive justice it has manifestly failed to achieve, because at best, it has been related only randomly to the needs and the individual circumstances of households.

It has been observed that a low opinion of rent control is shared by all economists regardless of their ideological bent. A local example is Mrs. Edith Nickel, a former Manitoba Housing and Renewal Corporation employee and now a Professor of Housing at the University of Manitoba, whom I will quote in part as reported in the January 21st, 1976 edition of the Winnipeg Tribune: "Rent controls hurt the poor and elderly, discourage new construction and increase the price of new housing. Tenants who are already adequately housed receive significant benefits, but lower income tenants who need the most help, suffer," she said. "Rent controls are a short-termed political solution that in the end do not help anyone."

Now, let's look at the situation of rent. It's true, perhaps some rents are too high, but the overall picture, can rents be considered too expensive for the average person to afford when Canadian families on average spend more of their income on recreation, alcohol, tobacco and automobiles than they do on shelter? During the five-year period, 1965-1969, the cost of rental accommodations rose by 14.1 percent; in the most recent five-year period 1970-1974, the increase was only 8.14 percent. During the same period home ownership costs rose 40.8 percent as compared with 28.9 percent for the 1965-1969 period.

Since 1961 personal disposable income has risen by 220 percent, whereas rents have risen only 30 percent. Home ownership costs by 127 percent and the general cost of living by 67 percent. According to the most recent data available, Canadians on the average spent 16.1 percent of their income on shelter. On the other hand, the lower income people spent about 30.7 percent on shelter, and this is where the area of need is. This is where aid should be given.

This book that I was quoting from just a moment ago, it not only criticizes rent control but those of you who have read it will notice that it also gives a solution, it gives an alternative. Now, I realize that the purpose of this committee is not to debate whether there should be rent control or not, it's a foregone conclusion. Nevertheless, I wanted to bring out these points. For one thing, perhaps there might be an emotional psychological relief on my part and perhaps maybe in some way we can perhaps soften up your viewpoint on this issue.

I want to say, too, in the matter of housing, that not only is supply and demand a factor but also the cost, the cost of housing has gone up and if you can't control the cost of housing, how can you really effectively control the cost of the rent. For example, if you want to rent an automobile, a U-drive, the cost of that rental is based upon the cost of the acquisition of that asset and the cost of maintenance. Of course profit figures in there as well.

(MR. YURKIW cont'd)

So likewise with rent. It, too, has a bearing. And I've been hearing that rent controls are going to be in until we see a five percent vacancy rate or something in that neighbourhood. Well, if we think in terms like that, rent controls are going to be in an awfully long time. Because the experts that I have been referring to, as in that book, they state that rent controls actually create a greater demand, they perpetuate shortages, and for this reason rent controls, once they are put into operation, are not a very easy thing to terminate.

Now I have a few recommendations, and the first one that I have is that in Section 13, subsection (1), where the paragraph reads: "Exceeds the rent payable for the residential premises," that these words be deleted and changed to read, "Exceeds the fair rent value for residential premises." Section 13, subsection (1) as it now reads would imply quiescent approval of all the rental rates in Manitoba as existing prior to July 1st, 1975, and thus, as I see it, this legislation would in effect be protecting the gouging landlord and would be providing no relief for the gouged tenant.

Now, it may be because I'm not too informed on this, you can correct me, but as I understand it and I'd like to illustrate it, if a landlord early in 1974 - and I say early, I mean prior to June - if he increased his rents we'll say any amount, just for the purpose of our example we'll say 20 percent, and then early in 1975 increased his rent by another 48 percent as has been reported, he would be entitled to raise his rents again in 1976 another 10 percent, which Bill 19 provides, the same amount of increase as permitted to another landlord who has increased his rents by only 10 percent or less in each of those same years. Thus, we would have one situation where the rents have gone up 78 percent, another situation where the rents have gone 30 percent or perhaps less.

This is not fair to the tenant in the first instance, not fair to the landlord in the second instance. And I might say, not only these two remote cases, but even in the same building, just from experience, there are certain disparities that have kind of crept in, that have not been rectified in the building we operate, and so I would like to see everyone start in the right place, and then of course, we can take these steps together.

Therefore what is required, point No. 2, that a standard fair rent value based on present costs and yielding a reasonable and fair return to the landlord be determined as a base upon which to apply the percentage rate of increase. Now, once again, I'd like to diverge a little by giving another example. Last year the postal mail sorters went on strike and they demanded something, as I recall, it was over 50 percent, perhaps closer to 75 percent increase in their rate of pay. Now did the rate of inflation in Canada approach 75 percent, or even 50 percent in the year 1975? Of course it didn't. But the employees were quick to point out they wanted to catch up to where the others were on the pay scale; and as I recall, while the ink was still fresh on the paper regarding the Anti-Inflation Bill, they were given an increase that exceeded 10 percent. So apparently justification was considered. Similarly in rent. It's not the percentage of increase that is going up, it is the rate, the cost of that unit that is the important thing. And when we compare costs quality I think should likewise be considered. Because there are one-bedroom suites and there's one-bedroom suites and one-bedroom suites and so on, and they can be all so different.

So point No. 3: That from inception of this legislation the landlords be granted the right to appeal for an adjustment in the rate of rent increase during the initial period of controls and that this adjustment be granted if the landlord's appeal is properly substantiated.

Point No. 4: That the appeals by landlords for an adjustment in the rent be allowed not merely in the case of a landlord who is on the verge of bankruptcy, but also in the case of any landlord whose net returns are below a reasonable level.

Point No. 5: That Section 13, subsections (1) and (2) be amended so that the initial period of rent controls be made nine months in duration instead of 15 months in duration as has been proposed therein. The 15 month scheme of controls, as I see it, when you consider it in the light and view of the Landlord and Tenant Act which requires 90 days notice prior to any increase in rent, translates into 18 months of rent control at the same fixed rate. Now such restriction is both unfair and very unrealistic in the face of today's rapidly rising costs. Now I think there have been a few statements made since the Act was introduced, that perhaps this section may not be as pertinent as the Act now reads.

(MR. YURKIW cont'd)

Point No. 6, my last point, and that is that Section 13, subsection (1) be amended, so that rent controls are made retroactive to January 1st, 1976. If this is not acceptable, you should not go back any further than October 14th, 1975, as proclaimed by Prime Minister Trudeau in his speech outlining the anti-inflation policy. The Honourable Minister here has stated on several occasions to the news media to the effect that our legislation is in keeping with the Federal Government's anti-inflation policy. In order for such claim to be entirely true, the retroactive period of rent controls cannot and must not pre-date October 14th, 1975.

Thank you very much, and this is all I have to say.

MR. CHAIRMAN: Thank you, Mr. Yurkiw. Mr. Henderson has some questions.

MR. HENDERSON: Mr. Yurkiw, first of all I want to compliment you on your brief. You stated that you weren't too familiar with this type of work, but I think you've really done a very good job. In fact probably one of the reasons you maybe won't get as much questioning is because there's a repetition of other points that have been made, though I do want to say that I agree with you, and I think all the committee do, that whether you finance or whether you own it you should get interest on your money, and I think that that's a point that should be considered in this bill. Other than that, I think you have made the points that so many others have made that . . .

MR. CHAIRMAN: Do you have a question, Mr. Henderson?

MR. HENDERSON: I compliment him on his brief.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Yurkiw, you said you have a 47 unit apartment building. Is it in Winnipeg?

MR. YURKIW: It is.

MR. CRAIK: What sort of vacancy do you have in it?

MR. YURKIW: We don't have any vacancy at present, and for the 20 months that we've operated it we haven't had any vacancies thus far, and this is the redeeming factor, I would say, in our operation.

MR. CRAIK: Is it a fairly new building?

MR. YURKIW: It's about eight years old.

MR. CRAIK: Is it in the downtown area of Winnipeg?

MR. YURKIW: No, it's in the suburbs.

MR. CRAIK: And do you have a large mortgage on it, or . . .

MR. YURKIW: Yes.

MR. CRAIK: You indicated earlier some reference to those with mortgages and some without . . .

MR. YURKIW: Uh, hm.

MR. CRAIK: Do you feel that there is a difference, you didn't elaborate on . . .

MR. YURKIW: No, I'm sorry if I didn't make myself clear. I felt that there is no difference. A business such as this should generate the same amount of money regardless of who gets it, whether it be the mortgagor or whether it be the owner.

MR. CRAIK: The government has indicated that they'll bring in a rent review process. If they in fact review the individual statements of the operators for the buildings and provide them with some sort of level of return, does the date of application then become critical, does it remove the criticalness of the date of application?

MR. YURKIW: Well, it's pretty hard to define as critical, because the thing is I don't think that it would perhaps put us in the red, but I mean, as I was saying in this, in my brief, that I think we are entitled to a fair return for the work, and for the investment, and for the risk that we are putting into the building. And of course, it's hard to predict what the costs might be, a person could wind up in the red, too.

MR. CRAIK: I gather you wouldn't have any hesitation to open your books up, provide your statements to the government in case of review.

MR. YURKIW: They're welcome to have them if they can understand them. Yes, is the answer to your question.

MR. CRAIK: Is your statement done by an auditor, for your income tax purposes each year?

MR. YURKIW: Well, it hasn't been this year, but . . .

MR. CRAIK: There would be a history of the building's operation, I presume if it's 8 years old, there would be an audit statement each year I would think . . .

MR. YURKIW: No. The only statement is for as long as we've owned it, which would be 20 months.

MR. CRAIK: The party that owned it prior to you, though, would probably have this sort of thing.

MR. YURKIW: Probably.

MR. CRAIK: Well, maybe that's an important question. In the event that you had to go on the history of the operation of the building to justify a certain increase, would it be possible for you to go back and get the statements?

MR. YURKIW: I couldn't answer that tonight, but it could be said, that anything's possible, but I think that really each year should be able to stand on its own, I mean, here's the revenue, here's the expenditures, and it should be simply a matter of that, shouldn't it?

MR. CRAIK: Well, I would think probably that bureaucracy when it does get set up will probably deal with the individual cases more rapidly if they see a history of events of the operation of a building. It may not be that critical but I assume that it might be important.

MR. YURKIW: I feel that what's really important, what I feel is important is if we all start at the same place, and I think if others can manage under this system I think we can manage, too. But, if some who are one jump ahead of us by perhaps having sneaked in an increase last year and for the same quality of apartment are charging more than we are, well, we're kind of being short-changed.

MR. CRAIK: When do your leases come due?

MR. YURKIW: Well, we get a smidgen of leases each month. Some months there's three, two, five and so on, but the majority are the end of August and the end of September, is when they expire.

MR. CRAIK: Thanks very much.

MR. CHAIRMAN: Any further questions? Thank you, Mr. Yurkiw.
Marianne Bossen.

MARIANNE BOSSEN: Mr. Chairman, would you like me to read the brief which I think has been distributed to the Committee?

MR. CHAIRMAN: There is the only one copy, so you would have to . . .

MISS BOSSEN: Pardon?

MR. CHAIRMAN: You can read your brief.

MISS BOSSEN: Fine. I do not represent any particular group, but I felt that the committee should have some information about a study which I have just completed. I'm a Consulting Economist and I've just completed a study on Rental Property Management in Winnipeg's west end. The study has been funded by the Canadian Council of Urban and Regional Research, and there has been support also from the Manitoba Housing and Renewal Corporation. The Corporation has paid for the printing of the report, and the stock of this report is in the Manitoba Housing and Renewal Corporation.

I would like to bring a few findings to the attention of the committee. The majority of the landlords in this area, this is part of Westminster ward, own only the house in which they live, and they rent one, two, or three suites in their home. I'm concerned specifically with the so-called Resident Landlord. The large old houses are expensive to maintain. Property taxes are high because of the R2 or R3 zoning. The rents are low, or moderate, for the amount of space offered and help defray the cost of home-ownership which would otherwise be prohibitive for these people. When the mortgage is paid off, older landlords hope to supplement their income with the revenue from the rental portion of the home. If landlords have good tenants - that is tenants who pay their rent on time, who maintain their suites, and who do not cause disturbances for all the occupants in the home, rents are rarely raised during tenancy. Adjustments are usually made when a vacancy occurs. Some landlords in the survey had not increased rents for two or three years. The proposed amendments allowing a higher than 10 percent increase for the period July 1st, 1975 to October 1st, 1976, if it can be shown that costs have increased by more than 10 percent, is a reasonable solution which will help small landlords whose rent increases have not kept pace with rising costs.

(MISS BOSSEN cont'd)

I was writing the final chapter at the time when I wanted to make an input here, at the time of the first hearing; my thinking has moved a little bit beyond this, but I'll state this at the end.

There is, however, a potential problem that I would like to bring to the Committee's attention.

The rollback to July the 1st, 1975, can create financial difficulties for small landlords who increased rents by more than 10 percent after July the 1st, 1975. For example, from \$70.00 to \$80.00 for a two room suite, or from \$150.00 to \$170.00 for a five room suite. Rent payments in a resident landlord operation are normally absorbed in the household and operating budget. For a landlord with low incomes it could be quite difficult to make refunds. I found that some landlords have an income, a few have an income of less than \$3,000. There are others who have an income between \$3,000 and \$5,000. There are low income people who are landlords. A number of these are pensioners, and/or widows. In owner-occupied revenue houses the rents are as a rule quite reasonable; I can give you the ranges. It does not seem unfair to tenants if in the kind of situation described, the landlord is allowed to be exempted from the rollback provision that goes as far back as July the 1st of last year.

Income ranges vary; I mentioned already, so many fairly low income ranges. The majority of the resident landlords all earn less than \$8,000. The rent structure in the area, in the fall of 1975, for a two-room suite - of course the quality of accommodation and the size, and the layout, and so on, will vary. The principal ranges for a two room suite was \$60.00 to \$85.00 per month. For a three room suite \$90.00 to \$115.00. For a four-room suite \$120 to \$150.00; and there are five and six room suites of \$150 to \$175 per month. There will be some values that are either a little bit less or they are more, but these are the principal ranges.

There is one other aspect. One-third of the resident landlords in the sample - of course, the study was done on a sample basis - have a mother tongue which is neither English nor French. Buying a house, renting out part of it, is a way by which often immigrants, especially, procure a home of their own. It also provides a certain amount of security, especially in the initial period when they still have to get settled in the labour market. So the rents help carry the expenses and provide an element of income stabilization in periods of unemployment.

I've been thinking further about the rent review process. I don't know how complicated the procedure is going to be, but I could see that for a number of people in the revenue house business, that is who rent in the home, I'm not talking about those who have expanded and who have perhaps other homes as an investment for future retirement income, but the more complicated procedures of the major part of the business sector is often rather foreign to the people who operate these homes. The landlord-tenant relationship in this kind of business are a very special kind of relationship, and the processes by which landlords and tenants communicate tend to be quite informal, and I could foresee some difficulty for some who might need some help if they would have to go, for the sake of perhaps a small increase over 10 percent, through a complicated process of finding appeal or request via the Rent Review Board. I might say that although the rents are quite reasonable and often a lot of space is available for a very moderate rent, at least rents will remain reasonable, because in this kind of area the ceiling of rents is set by the level of rents in suites. In these houses people cannot ask more rent because they wouldn't rent. But sometimes the rents are, I think, too low, and especially for landlords in the low income brackets it can be a problem to keep up the housing stock, to keep up these houses.

So I wanted to bring some of these facts which came out of the study to the attention of the committee and I would at this point in time, now that I have finished the job, I would go a little bit further I think and ask the committee to consider the feasibility of exempting the resident landlord from the Rent Stabilization Program strictly for the unit or units that he or she rents in their own home.

MR. CHAIRMAN: Thank you. Is it Mrs. Bossen?

MISS BOSSEN. It's Miss.

MR. CHAIRMAN: Miss Bossen, thank you. Mr. Bilton.

MR. BILTON: I wonder if I might ask how extensive was your survey. That is, how many landlords and property did you survey?

MISS BOSSEN: Roughly 10 percent. The study was done indepth on one percent . . .

MR. BILTON: I'm not concerned about the percentage. How many in . . .

MISS BOSSEN: Sixty, yes.

MR. BILTON: Sixty. In one area?

MISS BOSSEN: . . .which is bordered by Portage Avenue, Canora, the Assiniboine River and Aubrey Street. And the sample consisted of 40 resident landlords and 20 non-resident landlords.

MR. BILTON: And did you also talk to tenants?

MISS BOSSEN: Yes. A tenant survey was also included and is also reported upon. And information about personal characteristics of the tenants, their incomes, their occupations, and so on, is all included.

MR. BILTON: In this report you're talking about?

MISS BOSSEN: That's right.

MR. BILTON: And will that report be ready soon?

MISS BOSSEN: The report is ready and copies are in the Manitoba Housing and Renewal Corporation. It came from the Queen's Printer only at the end of last week so the Corporation may not have been able yet to start on the distribution. I have been in touch of course also with the Rentalsman and I know that copies will go to Mr. Turnbull and his department. Any interested persons can ask the Manitoba Housing and Renewal Corporation.

MR. BILTON: Knowing you were coming before this committee, might I not ask why you didn't bring us a copy tonight, this committee?

MISS BOSSEN: This is perhaps a matter of protocol. I felt that it should be handled by the Manitoba Housing and Renewal Corporation.

MR. BILTON: Mr. Chairman, I wonder if you would use your good offices to see the committee gets a copy each of this report. Thank you.

MISS BOSSEN: Your welcome.

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: Yes. Miss Bossen, you suggested that, what I will call owner-occupied rental accommodation be exempt from the Rent Control Bill. That is the basis of one of your suggestions. But you . . . no limits as to how many rental units there would be in such an owner-occupied rental accommodation.

MISS BOSSEN: I don't know. Many of the homes have only one rental suite, some have two suites, some have cut it up very small into three rental suites.

MR. TURNBULL: But you're thinking in four, five, six rental units that kind of range. I mean, you're not suggesting that an apartment where there happened to be say 20 units and the owner lives in it should be exempt?

MISS BOSSEN: No. It is strictly a house. These are these large houses that were built early in the century and most of these have been converted in various ways into - usually the owner lives in part of it and the rest of the house is rented out.

MR. CHAIRMAN: Any further questions? Mr. Craik.

MR. CRAIK: Miss Bossen, of your interviews with tenants, is there a general feeling amongst them for or against or neutral about rent control? Is there any pre-dominant feeling there?

MISS BOSSEN: There are no questions about rent control because the field work was done last fall between the middle of September and the middle of November, so the matter of rent control had not come up at this time yet.

MR. CRAIK: You mentioned that in . . .

MISS BOSSEN: I might add that the rent increases, I asked also about how much rent had been increased. Most of the increases were \$5.00 or \$10.00.

MR. CRAIK: And were they acceptable as far as the tenants were concerned?

MISS BOSSEN: The tenants did not complain about their rents at all.

MR. CRAIK: Just from your survey you indicated in your comments that you found that there were cases, or that there was characteristic cases where there were two to three year periods without increase.

MISS BOSSEN: Yes. I think I can give you some numbers on this. There was some people for whom I didn't have the information or who were special cases like boarding houses, and of course that is . . . So there were 34 resident landlords for which I have a specific information. Twenty-three had increased rents in this past year; four had done so two years ago; five more than three years ago; and one never since the purchase of the property; and one had increased rent in one suite this past year and in a second suite two years ago. You see people don't like to raise the rents during tenancy. Particularly if it is what people call a good tenant. They like to keep them; they don't want to risk any displeasure. So the peace in the house and the compatible living arrangements is more valuable to the homeowner than the amount of money that he receives, especially now there has been a change in the composition of the rental population. There has tended to be a shift from older people to very young people. I think that about 40 percent of the tenants who were interviewed were under 25. There has been a shift from families to single people, and so there's been older age structure of the landlords. There is a potential for a generation gap incompatibilities, and there are problem people of course also. So if the landlord in the home which is also his home has a compatible person or people that he can feel comfortable with, he's not going to increase the rent.

MR. CRAIK: Will the proposed 10 percent increase cover the increases in most cases?

MISS BOSSEN: In many cases it will not present a problem I think, because I don't think that there will have been many increases that may have also been less than 10 percent. But there will be cases where the adjustment exceeds 10 percent, and so I foresee that there is a possibility that the number of these people would fall under this new legislation. I can see that in a family with a limited income, if the rent was increased, say, in October and there is a bit of excess over 10 percent, now that's been used up of course, that rent into the paying of utility bills.

So at this point in time to ask people to give a refund even if it isn't perhaps more than \$50.00 or so, could present a problem.

MR. CRAIK: The area you surveyed is a little different than the type of accommodation that's been represented here generally.

MISS BOSSEN: Exactly. That is why I felt I should come because the only other place in Canada where there has been this kind of research on this kind of landlord operation is in Montreal. And I'm familiar with the research in Montreal and it has inspired some of the questions which I have raised in this study. I live in the area myself so I am very familiar with the problems. But there has been very little research of this kind and because I know this, I didn't think also that these people would present themselves here. They are not people who lobby for any purpose, they are just silent, and that is why I felt that I wanted to present some of these findings here. Because numerically probably in terms of number of rental units this group in the housing economy is likely to be less important in numerical terms than the professional operators. But they have a very important function, the resident landlord, and this has come also out of studies in Montreal, in the United States, and in Great Britain, because I placed it all in the context of neighbourhood survival. There's a lot of social pollution in Winnipeg's West End, you know that, Mr. Wilson, and there is a lot of concern about this and quite rightly. My final conclusion is that between preservation of the neighbourhood, the neighbourhood's quality of life and the slums, stands the resident landlord. And in my report I've made a number of suggestions to the three levels of government, and also to the residents themselves as to what they might do about it, because something has to be done or the West End is going to be a slum in a very few years.

MR. CRAIK: Well is this going to become a slum more rapidly with or without rent control?

MISS BOSSEN: I don't think that rent control is going to be a very decisive factor, it is just one other complication added. By itself, no, I can't say that it would be a deciding factor, there are just too many other things.

I have had also long consultations with the police, with the Rentalsman, some other city departments as these findings were shaping up, and I have had talks and these people are very much aware of the problems. So it is a complex situation. There is not any particular measure that will stem the pollution or that will accelerate the pollution,

(MISS BOSSEN cont'd) it has to be looked upon as the totality. And in that totality the Provincial Government has a role and I've addressed myself to a number of provincial agencies; the city has a role, and I've addressed myself to a number of specific programs; the Federal Government has a role; I feel they should make the Assistance Home Ownership Plan also available for existing houses, which they did in the first year, and if they were to do that I would like to see it applicable also to the resident landlord.

These are independent people and I was on the one hand encouraged to see that after 1970 with the high mortgage rates still new people have entered the industries, blue collar workers and quite a number with incomes of less than \$8,000. There are people in this industry who I'm sure could qualify for low rental subsidized housing but these people are not subsidized. They do it themselves and they do it independently and they cope. They are little entrepreneurs; they are amateurs, if you will, but they cope. And in the process of coping they provide accommodation for other people; they provide an element of social security in the district, because there are more excesses of behaviour in the non-owner occupied houses; they work together with the police; they watch what's happening in the environment. These people have a very important social function and yet just very ordinary people. There is a whole cross-section, it's not only blue collar workers, also white collar workers, and a sprinkling of professionals and managerial people. So this whole spectrum is also represented among the tenants. So there's an enormous range of age groups.

Women are also very much in this kind of business, and husband and wife work together in this. It's very much a joint operation. All the occupational classes are represented. All income classes are represented. Ethnic backgrounds. It's typical for cosmopolitan Winnipeg and it is - but I think what these people have in common is that they are very independent and they do it without help, and they don't expect help. This also came out of the survey.

And so really, my policy suggestions are focused on, the central focus is please help strengthen the position of the resident landlord. We need more of them.

MR. CRAIK: Well, Mr. Chairman, I want to say thanks to Miss Bossen for what is I think a real contribution to this committee. You bring a degree of objectivity, too, which is very valuable for a committee to receive.

MISS BOSSEN: I've been in this business; when I bought my home I was unemployed. I know what it means to rent under your own roof. It's not easy.

MR. CRAIK: Thanks very much, Miss Bossen.

MISS BOSSEN: You're welcome.

MR. CHAIRMAN: Mr. Wilson.

MR. WILSON: Thank you for coming down as well and the lobby for the resident landlord and the rooming house is most welcome. I wonder would you favour because of the unique situation and possibly the cost of the civil servants these days, that we possibly look at rooming houses as a tenant enquiry or a tenant complaint basis rather than the other way around.

MISS BOSSEN: This would be another possibility. You see I don't want to be dogmatic with my suggestions because the committee will have a lot more evidence that I'm not aware of, and you have to weigh all the different groups.

I think this would, if it is felt that these operations should be included, this would of course be a great help to put the onus on the tenants.

MR. WILSON: The reason I mentioned that is because it seems to me a \$60.00 to \$68.00 increase for \$8.00 because of the cost of the machinery, it would seem to me that it would be better to put the onus on the tenant to say, "Hey, that's over 10 percent."

MISS BOSSEN: Exactly. Right.

MR. CHAIRMAN: Mr. McKenzie.

MR. MCKENZIE: One brief question, Miss Bossen. You've seen the legislation that's before us. How do you recommend that this legislation be changed to fit in with the group that you represent? Have you any suggested amendments that we could propose?

MISS BOSSEN: I have to apologize. All I've seen is what is reported in the paper. I haven't seen the text of the bill.

MR. McKENZIE: Then may I ask you, are you here presenting this brief on your own behalf or are you here employed by somebody or attending on behalf of a group?

MISS BOSSEN: No. I mentioned this at the outset, I'm not representing anyone particular; I'm not employed other than by myself. I happen to be a free-lance researcher and the completion of my study coincides with the sitting of this committee. Now I've been exceedingly busy and all that I've had time for is to scramble together some very quick information, which I submitted on the first day of the hearings. I wouldn't have had time to study the bill, but of course I'm aware that this was going on and when I read this my mind started to click about these little people and I thought, well this is a study that has been paid for from public funds, because the council again has obtained its research funds from public sources, so I didn't have to keep it under wraps, so I wanted to share it with you. But I'm not representing any particular interests as such, so in that respect my presentation is different from that, most probably.

MR. McKENZIE: Mr. Chairman, then may I suggest that the Clerk present Miss Bossen with a copy of the bill.

MISS BOSSEN: I'd love to have a copy.

MR. McKENZIE: Yes I know, and at some later date maybe you'd come back and give us the benefit of your wisdom with the legislation.

MISS BOSSEN: Thank you very much.

MR. McKENZIE: Thank you.

MR. CHAIRMAN: Any further questions? Hearing none, thank you very much, Miss Bossen.

Mr. George Clark. Mr. P. Hamilton. Mrs. Victoria Luchka. Joan Johannson, Church and Society Committee, United Church-Winnipeg Presbyterian. Margaret Marquart, St. Matthews Maryland Community Ministry Neighbourhood Resource Centre.

MR. MORRIS: Mr. Chairman, may I present her report for her, she's not able to be here today.

MR. CHAIRMAN: For who?

MR. MORRIS: For Margaret Marquart. My name is Barry Morris, and I work with her at the St. Matthew's Maryland Community Ministry. It's Margaret's letter to the Honourable Mr. Turnbull that came before the committee I guess. There's probably not copies so may I read this?

MR. CHAIRMAN: Proceed please.

MR. MORRIS: Thank you. It's addressed to the Honourable Ian Turnbull. As an organization involved in the west central area of Winnipeg - I'm referring to St. Matthew's Maryland Community Ministry located at the St. Matthew's Maryland Christian Centre, St. Matthew's and Maryland streets - we have contact with many tenants and have worked with tenants who have justified complaints about the inadequate standard of their apartment blocks or in some cases the houses they live in. Through this experience with tenants we wish to make the following comments on Bill 19.

Initially, we would like to say that we do not think that rent controls address the basic ongoing problems in housing, some of which are not enough low and medium income apartments and houses either being built or bought for rental use. The ability of landlords to close down their rooming houses or apartment blocks because of the implementation, in some cases, of a minimum standard by-law against their dwellings and the classification of housing as a competitive industry rather than as a basic public need or utility such as health, education or forms of transportation are considered as public utilities, causes some of this grief. In a short run, however, controls will obviously help to treat some of the loopholes through which some landlords have and will take exploitative advantage of.

To address the particular issue of rent control we wish to refute statements that were made by Mr. Engel, the landlord association membership chairman, to the effect that everybody knows that there is no money in housing. For the smaller landlords there may not be large profits to be made from rents though there is the obvious long-run investment being made and assisted by the tenants and roomers within their houses or apartment buildings. For most larger landlords there is definitely money to be made off of tenants in housing or apartment stock and of course the land with it. For both housing stock and land there is the virtual guarantee of increases in value each and every year. Those who own land and the housing and the apartment stock other than their own housing that they live in

(MR. MORRIS cont'd) are already part of what we could call an elite group, since with increased costs fewer people are able to afford their own housing and, we have a citation here from a study that could be summarized as saying that the . . . well I'll read the one relevant paragraph from the . . . this is done by the Department of City Planning and Department of Economics, University of Manitoba, December 31st, '74, where I quote:

"The cost of housing, that is building new homes has not increased as drastically as might be expected from recent newspaper reports. The actual average construction costs between the years '68 to '73, that five-year period, increased by 23 percent. Given the rate of inflation during this period this increase would not appear out of line. On the other hand, selling prices of these same houses increased by 35 percent over the same period and that figure does not include the increase in land costs and prices."

There is money in housing, why else would people be in it as a business investment. For our part, we want to share a couple of examples. A 15 suite apartment block that was very much in need of basic repair - I'm referring to a particular block at 722 Maryland in the Bannatyne Ward - which included lack of hot water for several months, a lot of broken-down plaster, presence of mice and cockroaches, bad wiring and leaks in the top roof, was recently closed down for alleged renovations, resulting in the wholesale eviction of most of the families still in the building. There was about 13 apartments occupied out of the 15. While there was some tenant abuse, such as broken windows, some of those windows were replaced at the tenant's own expense and labour, the majority of the problems were due to the real and prolonged neglect on that building by the absentee owners. The fact that the owners were not only absentee but holding it as an investment and were negotiating its sale against . . . only added fuel to the tenants' frustrations on trying to get redress for their grievances. The inspectors from City Hall were also in a turmoil as to which to enforce at what expense - cost to the landlords or eviction to the tenants. And all this in the middle of January, just this last January. Up until January, the tenants' rent for one bedroom was around \$120 a month, unfurnished, and given the condition of the premises, we would call this outrageous. Tenants were given notice to vacate by the end of February '76. In a letter to the City of Winnipeg Health Department on January 15th '76, the then owner stated that the apartment block was being sold at a "substantially reduced price" so that renovations could be effected. The renovations presently under way will include wall to wall carpeting. Indications are that the new owners will be trying to attract much higher paying tenants, as from the nearby hospitals. Since the majority of tenants had been native Indian families, this may raise the question to which the rent stabilization bill should be directed. For example, as the previous owner sold the building at a substantially reduced price perhaps to stimulate renovations, how is the proper or fair rent level to be set afterwards. Should the costs of present repairs be spread out over a given period of time in order that tenants not be hit all at once and have higher than fair rent levels to pay. Should the rents be allowed to be higher due to extras such as wall-to-wall carpeting when most people in the area need good basic maintained housing stock or apartment housing stock. And how is the provincial housing arm of the province, Manitoba Housing Renewal Corporation to play a complimentary role for such cases?

My second example may help. I refer to a 30-suite apartment block at 485 Furby Street which in the spring of last year 1975, charged low rents of \$100 on two-bedroom unfurnished suites. Small, but two-bedroom suites. This same apartment is now renting for around \$125. While it's a clear 25 percent increase in rent, the question is as to how this can be justified in terms of the expenses, the repairs, the renovations being made to the building. The apartment block is an interesting case in that only two or three suites are presently being let out while the landlord or his agent selectively rents out a suite as he finishes renovating the suite himself. So the 30-suite block is almost vacant which means less choice of accommodation for low income and more demand on existing accommodations in the immediate area. All this results in higher rents.

A 30-suite apartment block at 325 and 329 Sargent Avenue had a rent of \$85 a month for a one-bedroom; by September of last year 1975, the rent was \$115. That's a 30 percent increase and there were no renovations or redecorating done. The only apparent change in the building was in the ownership. Rent controls could have helped to

(MR. MORRIS cont'd) ask some relevant questions about that. It is low income tenants who are being squeezed and being forced to pay higher rent costs. Sheer neglect by owners and their agents are decreasing availability of housing stock that normally goes to such lower income or fixed income tenants, a general low vacancy rate across the city, a bad distribution of income for the poor, which keeps poor people poor while keeping higher income people accessible to the hosts of money-making ventures that exist including investments in land and housing. These are some of the obvious causes for the housing squeeze. Poor families must be content with crowded and poorly maintained dwellings because of their money problems or lack of money and because of the unavailability of what could be called adequate housing stock.

Large families on any kind of fixed income find it extremely difficult to find adequate shelter in our area where some sense of history may be found; where there's social services that are relevant, for example; where there are friends; where there's familiarity with the schools and in many cases work. So what happens is that crowding takes place or if a house is found or a large enough apartment then high rents are supplemented by taking from food or clothing or recreational income. In a short run the rent stabilization bill is a useful attempt to limit undue rent increases and it therefore is a measure which we support. The ten percent limit on rent increases with applause for landlords who do not have to raise it this much seems reasonable, with some appeal for special cases. The burden of proof of course falling on the specifics. Much more is needed. Supply of low rental accommodation in the inner city as well as other parts or areas needs to be increased. This province also needs to consider the immediate implementation of a guaranteed adequate income so that the poor, welfare or working poor, may have more open and stimulated access to income presently being kept or controlled by the upper income groups. Rent controls, in other words, need to be considered as part of an overall income and equalization strategy. Thank you.

MR. CHAIRMAN: Thank you, Mr. Morris. Mr. Wilson.

MR. MORRIS: I also wish to present just a modest petition from the tenants in 482 Young Street. There's 14 apartments in that building, 13 tenants that have signed, and I just wanted to cite that as a specific example too where from last January '75, the rent for a two-bedroom partially furnished was \$125, it is now \$160 a month; for a one-bedroom partially furnished it's \$145, whereas less than a year ago, last spring, that same place was renting for \$90 a month. This place is in desperate need of even just minimum repair or maintenance. One of the tenants in that building has the landlords, who are small, husband and wife team basically, before the Rentalsman office now. The problem there, as with the building at 722 Maryland is the fear, the real fear that the building may be in such a dilapidated state having been neglected for so long that it may be closed out or closed down. I suppose it depends on whether, you know, major things like the furnace has to be replaced or plumbing or wiring. But the rents have gone up substantially, anywhere from 35 to say 50 percent over the last year with no parallel input in terms of maintenance and repair. That's at 482 Young Street.

MR. CHAIRMAN: Thank you. Mr. Wilson.

MR. WILSON: Yes. I believe both these blocks are in the riding of the Minister of Corrections and I know them very well and I would agree with you Mr. Morris, that they're in extremely poor condition, but it seems that from my observation in many trips to the thing, it's a combination, it seems from what I could gather, they seem to be sort of like tenant destroyed blocks with a combination of a disheartened or giving up type of landlord. What would you do, would you favour your government taking over these blocks and maybe under a WHIP program or something, putting them into the type of condition that you seem to want. It seems to me that MHRC seems to be only interested in new blocks; I wonder, would you consider that they should be taking over the old blocks?

MR. MORRIS: I think there's a strong case to be made for that, Mr. Wilson. You know, the mechanics of it and what the frustrations of that would be in terms of bureaucracy in terms of cost, I don't know, but just by default, there are some buildings, whether that trend's going to increase or broaden, I don't know, and whether landlords are using, or agents or large real estate people, in some cases these are estates, the one at 722 Maryland was handled by an estate and the accessibility of the tenants to find out who the landlord was was a credibly complex affair, and when they finally did get access to the

(MR. MORRIS cont'd) owners at that time they were in the process of changing hands, so even the city inspector had a horrendous time trying to find out who the owner was. This is all taking place in the middle of winter when people were sharing stoves in apartments. But anyway, I think there's a strong case to be made for MHRC to get involved. There's no question about that. Well, I just say that as maybe a general area to explore a lot more.

MR. WILSON: Well my comment is based that if we imposed a new by-law with fire regulations, if we have rent controls, where are all these people going to go if these blocks are closed up; this is my question to you, where are they all going to go. Every day our low income housing stock is depleting. Where do you suggest they go?

MR. MORRIS: Well, I suppose if more efforts could be made along the lines of - and again this is just one ripple on the lake - one possibility is in the area of non-profit co-operative housing ventures, that's going to be very small, some of our workers in that area with an infant group called New Start, that may be able to make a small dent. People of course are crowding up and jamming in together.

I would like to see a lot more effort being made I suppose - if I can use this phrase, kind of flexibly integrate city housing standard by-laws including health and fire and safety standards with rent control. Like in the 722 Maryland building we were pushing the local councillors and the Centennial Community Committee to look at a way that that could be phased so that the repairs could be made, you know, floor by floor or apartment by apartment so that everybody didn't have to be evicted. Whether the landlords or owners would have been entitled to any kind of assistance in terms of making the repairs I don't know. The problem was there it was being sold in the process and there was no intent to do anything with the building except unload it. And then we found out later, as I cited, was sold at a reduced price, I guess in order to encourage renovations. What the rents will be, what kind of profits might be made in that building over the next couple of years would be worth watching just to find out, you know, who is making money in that process. It would be sad to see it destroyed though because it has, as with a lot of buildings in that area it serves as the only housing available, only kind of stock available. I'm not really answering the question. It's a problem that we ourselves are asking.

MR. WILSON: My question was though, with the new by-law and rent control, that means these buildings theoretically have to close up, or do you still think there's enough money there to keep them going?

MR. MORRIS: I don't know for sure. You know I guess each case has to be looked at.

MR. WILSON: Because I did like you, talked to Councillor Klym and say when are you going to close 485. So I know what you're talking about. Thank you . . .

MR. MORRIS: Yes. And that place is being renovated fortunately, there's some kind of a commitment to keep that place going.

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: Mr. Morris, coming from St. Matthew's Church, I guess you work in the area I gather do you?

MR. MORRIS: Yes.

MR. TURNBULL: Do you live there as well?

MR. MORRIS: I live at 482 Young Street, one of the apartments in question.

MR. TURNBULL: So you have a very close firsthand knowledge of what's going on in that district then. With your experience there both as a worker in the area and as a tenant in the area, I was rather interested in the fact that you talked only of apartment blocks. Now there aren't just apartment blocks down there obviously, there are many owner-occupied rental accommodations. I was wondering what you felt about the suggestion that was made earlier about the exemption of owner-occupied rental accommodation of, you know, some small number, four or five units, something like that. What I'm getting at is, you've talked only about apartments, and quite large ones at that really, and do the problems that exist in these apartments also exist in the owner-occupied houses?

MR. MORRIS: Well not as much in our experience. I listened with interest to the study that was reported in the Westminster ward or in the area south of Portage. I think a lot of that is true in the area north of Portage where we are, in the Balmoral area. I do know of cases where I think rents being charged are pretty high and where

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(MR. MORRIS cont'd) the question of mortgage is not a serious consideration for some occupying landlords and where they're charging, oh at least what would be considered a fair market rent for five room or two-bedroom types of dwellings, like using the whole second floor in some cases with a rent interest, some cases not. So it's hard to judge. I don't know of any exaggerated cases I could say that much in our area. I know of some houses that are in bad shape not occupied by the owners, but you're not asking that question. You're asking more on the owner unoccupied.

I guess the most serious consideration is not so much on rent as in some cases, especially with younger people, desires of their privacy for obvious reasons; there's the problem about an independent relationship with the occupying landlord, some people aren't prepared to endure, you know, fairly harsh rules and standards. Some people would say that they're not harsh, they're just stuff . . . it gets into really etiquette or the kind of ethics that people grew up under themselves, but a lot of people don't stay for long in places that are like flats or apartments within houses because of the rules and because they don't have a sense of independence or freedom. That's not, you know, a law or rule right across the board. It does present a problem though for this generation.

In the case of rooming houses, again, we know of good and bad cases. You know some people are charged up to, in many cases they're charged up to the limit of whatever they get say on welfare, if they're on some kind of welfare like medical welfare, short-term or long-term, and that can be a problem because often what's provided is simply a room and a bed, you know a chest of drawers, and that's about it. Most people therefore eat out. That presents a problem in terms of their income or what they can do in order to supply their other needs, other than just basic shelter. Some rooming houses, no question, are getting what appear to be a fairly healthy income, anywhere from four or five roomers up to as many as ten. In some cases you have somebody on the premises who are the landlord's direct agent, in some cases the landlord is there, he or she. In some cases they're getting a very good deal. They're getting the housekeeping room, although it's just one room, they're getting a good housekeeping room and a fair bit of privacy. It's hard to generalize in that situation. I can see a rent stabilization board giving special consideration, I think depending upon, not just only the rents but on the, I guess the kind of . . . whether it's kind of like a place where you board or lodge or whether it's a place where there's good independence.

MR. TURNBULL: Well could I ask you, do you think that these owner occupied rental accommodations should be exempt from the controls or not?

MR. MORRIS: I can't give a hard and fast opinion on that. I can see merits on either side right now.

MR. TURNBULL: In your brief you got to the point of discussing damage to some of the units in the apartments that you cited in your brief. You must be familiar with some of the other rental accommodation in the area obviously from the remarks that you've made. I mean if you could give sort of a gross judgment. Is it landlord neglect or tenant wilfulness that causes damage at least to some of these places being so neglected?

MR. MORRIS: I think overall it's got to be considered a combination, but it's a question of if you move into a place that's in fairly bad shape just in terms of like say plaster and faulty wiring, like you've got so many cases where rooms don't have wiring so you run extension cords into the other room, the bedroom or the kitchen as the case may be where there is a live outlet, and you double up that way. Or where you move in where the storm windows have been bust, not necessarily through landlord neglect, it's been through kids maybe playing, because often you've got families living in apartment buildings in the winter, even now you've got windows that are open to . . . like kids are playing between apartment blocks or in the lane, it's a problem of moving into a place where it's already kind of on the poor side of things. So to what extent do you do the repairs yourself? To what extent do you do the repairs if you've got hope of deducting it from your rent? Going through the process of getting redress through the Rentalsman is a long process. There's a delay always. The Rentalsman usually does try to play both sides, so that there's consideration in that way. Some tenants do make their own repairs whether it's as basic as getting their own cats to get rid of the mice or whether it's buying their own stuff to get rid of the cockroaches. If they have a capacity in putting plaster up they do, but there's not much incentive to do that because you don't get any kind of deal on the

(MR. MORRIS cont'd) rent and it's not your place and there's always the psychology of, well we may just be there for a few months anyway. Some people in fact stay for a few years because there just isn't much else around and because they develop a commitment to the area through their kids and through whatever involvement they have as adults, as families.

I just know it's very difficult in the specific experiences we've had, Mr. Turnbull, that it's difficult to get redress from landlords, I think in some of the cases where the rents have been fairly adequate. It's been hard to get that redress and it's even harder to go through the Rentalsman office. We advertise and share that resource to people, it's very hard to use it unless you've got time to pursue it, unless you feel you've got confidence, you know, in either writing or in speaking up. A few people may go through Legal Aid but they're few and far between. On the other hand, you know, there are some blocks that are in good shape and the rents being charged are reasonable. There's a string of apartment blocks on Balmoral that, well a couple of side-by-sides, they're in very good shape. Also on Maryland.

MR. TURNBULL: You're comparing blocks that . . . some of them are run-down and some of them are in good shape. Have you or St. Matthew's Church . . .

MR. MORRIS: That's combined Anglican . . .

MR. TURNBULL: St. Matthews Maryland Community Ministry Resource Centre. Have you looked at the square foot costs for rental accommodation in some of the dilapidated apartments as compared to some of the apartments in the same area that are better kept?

MR. MORRIS: No. They haven't done that detailed kind of a . . .

MR. TURNBULL: That's all.

MR. CHAIRMAN: Any further questions? Hearing none, thank you Mr. Morris. Mr. John Leonard.

MR. JOHN LEONARD: I've just got a small brief that I want to present. I'm acting on my behalf and I've got a small petition here which I asked a few tenants to sign.

I live right next door to the person that was up last. My address is 480 Young Street. I noticed after the last session here there was an ad in the Free Press paper on the front page and it said, that mentioned that landlords needed a 20 percent increase in order to keep maintaining the buildings. So I jotted down some figures here relating to a worker who is making \$125 a week in 1975, paying \$125 a month. The wage increase at ten percent, the rent increase at 20 percent and over the five-year period up to 1980 where the rent increases 20 percent per year, the same rent value, the rent for that same suite would then be \$311.04. The wage increase over the same period would then be \$201.32. In '75, the difference between the rent and the wage is zero, whereas in 1980, the difference would be \$109.72.

I lived in one block and the rent I was paying in December was \$100. My wage before deductions was \$115; my take-home pay was \$101.65. In July of '75 my rent increased up to \$120; my wage increased up to \$120 also, and my take-home was just under \$110. The rent was slated to go up to \$130 as of August 1st, 1975. Through that time period from December to July, the rent increase was 20 percent and up to August on the basis of what the rent was in December, brought up a 30 percent raise increase. Through the same token of time from December to August my wage increase was only 4.34 percent, and what I'm up here about really is the repair work, and it seems that just about every block I lived in I always had to fight and fight to get the repair work done. Like this one block we lived in, there was very little heat, that was when our oldest boy was approximately a year old. He was pretty well constantly getting sick, rushing him to the hospital, getting medication for him. The caretaker that was hired at the beginning of the winter season, he was an alcoholic. We complained to the landlord; the landlord did nothing. It just got to a point, you know, everybody is getting frustrated. There was a newborn in the same apartment block just a few doors down from the suite, her baby was getting sick all the time. There was two fires in the caretaker's suite; there was one major fire, it was on Thanksgiving Day, this was in 1973, where it turned out that one person received 65 percent burns to his body, 65 percent of his body was burned. He was admitted in the hospital and fortunately he did survive, but he was under intensive care for quite a long time.

(MR. LEONARD cont'd)

You asked the other person about a house, about the house being under the control. I'd like to get into that. I lived in a house for a while - well two months to be exact. When we looked at the place there was some repair work that had to be done to the washroom. One was the tap, it was always consistently leaking, and another was the toilet seat, it was cracked right in half and one side was taped. Now this was supposed to be done before we moved in. It came to a point where we had to move in, had to get out of the other place because the time was up. We moved in, it still wasn't done. I asked him when was he going to do it; he hummed and hawed. Finally it came to the end of the month, the rent was due, he asked me for the rent, I told him I'll pay him the rent as soon as he makes the repairs and if the repair work wasn't done by such and such a time, I would just have to send it to the Rentalsman's office with a letter explaining why the rent was coming to him. Of course, he then complied, made the repairs. He also gave me my notice because I was a troublemaker. That was a house.

I moved out of that house, I moved into a block. We had to fight to get a plumber to get the sink fixed, we went three months without a sink in the kitchen. We had to always run to the bathroom and use the sink in the bathroom. An oven, we had to do without an oven for two months, we had to run to a neighbor to use their oven. We finally got around to getting those fixed. Also we didn't have a lock on the back door and kept on asking him to put a lock on the door and during our occupancy in that suite, the landlord just never made one move to put a lock on the back door. So then we moved to another suite and it started all over again. No oven; we had to go five days without a washroom. Our toilet was plugged. We had to go to another suite to ask him if we could use their washroom until our's was fixed and during the night, we had to use the honey-bucket, which is a pail to do your business in during the night.

Later on that summer, our suite was broken into, all the windows were broken, the door was kicked in, it took two days to get the door fixed, couldn't lock it, had to put on a padlock so, you know, it would look like it was locked anyway. The windows, the landlord made no attempt to make any repairs on the windows. We had to pile stuff on the windows to give a false impression that you can't get in that way. And although he didn't make any attempts to make repairs to the windows, he told me that the rent was still going to go up \$10, from \$120 to \$130. So rather than putting up with all this abuse, having to fight and fight and fight with the owner, of which there was four owners, the first owner that had the place when we moved in sold out in December and there was three other owners prior to July that we had to fight with in the same block, we finally moved into the block we are in now. Rent for one suite on July 1st of '75 was \$130. The rent for that same suite now is \$140, which is an increase of only 7.69 percent. The suite that I occupy is \$125. It was \$125 July 1st and I talked to another tenant whose brother was living in the same suite that moved out; he informed me that that suite was \$125 prior to me moving in. That suite right now still rents for \$125. He hasn't given me a notice that the rent is going up yet. The suite that this guy I was talking to, he was paying \$80 a month for his suite. That suite now rents for \$90 a month, which is an increase of 12.5 percent, which is the only suite in the whole block that increased more than ten percent. In fact the majority of the suites in the block have increased by nothing - zero percent increase. I guess that's about it.

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

MR. TURNBULL: Mr. Chairman, I just wanted to get straight what happened in one of these accommodations that Mr. Leonard was living in. You said that the landlord had hired a caretaker who turned out to be a drunk; that in the caretaker's apartment there were two fires. That as a result of one of these fires somebody was burned, but you didn't specify who, whether it was the caretaker or someone visiting him or a tenant.

MR. LEONARD: Well it's hard to say because there was always wild parties going on in the suite, there was always drunks from all over the place, you can't say who did it. They were all drunk, they'd pass out, they'd smoke a cigarette, and . . .

MR. TURNBULL: This is in the caretaker's suite?

MR. LEONARD: This is in the caretaker's suite.

MR. TURNBULL: So the landlord hired someone who created a lot of trouble in

(MR. TURNBULL cont'd) the apartment.

MR. LEONARD: The owner is well aware of the conditions because there was a lot of complaints about him.

MR. TURNBULL: And again, I just want to make certain, your voice didn't come through here very clearly, so I do want to make certain. You were given notice and the reason that you were given notice in one of these accommodations was that you had demanded that certain repairs be done.

MR. LEONARD: Well I wrote out a note explaining what had to be done, how much time it had to be done within; I made two copies out, one of which I kept for myself, the other which I put into an envelope and handed to the owner. I then turned around and explained, as I am talking now to you, I told him what had to be done and if he didn't have it done by a certain time, what I would do, which was to send the other copy which I had on my person along with the rent money to the Rentalsman's office and have the work done through him, and if he wanted his money, he would have to get the work done then go to the Rentalsman's office to get the rent money. But it seems that he didn't want to go to the Rentalsman's office for the rent money so he had it done; then after making the repairs, he gave me my notice because I was a troublemaker.

MR. TURNBULL: Well I'd like to thank you for coming down and speaking up, Mr. Leonard. There's been a lot of tenants relate the kinds of stories about not being able to get repairs done that you have, a great number, and I would just like to thank you for coming down.

MR. LEONARD: And may I extend a little further. That block that was mentioned earlier, 482 Young Street, if you were to walk into that block right now, if it didn't kill you, it probably would knock you flat on your back. You just open the door and that smell is enough to . . .

MR. TURNBULL: I'm sure the Rentalsman will be down. . .

MR. CHAIRMAN: Order please. Mr. McKenzie has a question.

MR. McKENZIE: Mr. Leonard, did you present a petition here tonight?

MR. LEONARD: Well . . . --(Interjection)--

MR. McKENZIE: On behalf of who?

MR. LEONARD: That is in regards of - I guess I didn't explain that - is that they're all in favour of the rent control being ten percent and also the fact that when this control comes into effect, do not allow the landlords to stop making repairs to the suites, that they have to make repairs to the suites, no matter how minor the repairs are.

MR. McKENZIE: My second question. Have you read the bill yourself?

MR. LEONARD: I scanned through it.

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

MR. LEONARD: Okay. Thank you.

MR. CHAIRMAN: Audrey Delaronde, Winnipeg Council of Self Help. Bert Huebner. Henry Rattai and Pat O'Donovan, Kraft Construction Company. Alison Campbell, Oh... Mr. Rattai.

MR. O'DONOVAN: No, my name is O'Donovan, sir.

MR. CHAIRMAN: Thank you. Mr. Pat O'Donovan.

MR. O'DONOVAN: Firstly, Mr. Rattai wasn't able to be here and he's hoping to be down at any time, so I will continue until he arrives or in the event of his non-arrival, I will complete the brief, sir.

MR. CHAIRMAN: Fine.

MR. O'DONOVAN: I represent Kraft Construction Company. I'm sort of the controller. I've listened to quite a few of the briefs although I suppose not as many as you gentlemen have. I thought that the way to present our brief to you would be to go in to the operation of the series of blocks that we run in detail, present financial statements for the last number of years, and try to project the effects of Bill 19 on our rental structure and the effects of the cost escalations that we're receiving and try to show a projected profit and loss statement for the coming year and into 1977. This is done in item (a). If I can read from the brief - We respectfully submit that the following points be taken into consideration in your deliberations on the passage of the above Bill as it was presented to the House for First Reading in the Manitoba Legislature.

The Act as it is presently constituted could cause our Property Rental Division to operate at a loss. Because it does not make provision for increases in current operating costs to be passed on to the tenant; it does not make provision for increased financing costs to be passed on to the tenant, and it does not relate the returns on this investment to those available in the marketplace on comparative types of investments.

Seventy-five percent of the costs mentioned above in Item 1 are imposed either directly or indirectly by the various levels of government. You can look at the details of this on attachments A and B.

ITEM: A

Projected and Actual Statements of
Income and Expense

for the following Financial Years 1st August - 31st July

	<u>F. 1977</u>	<u>F. 1976</u>	<u>F. 1975</u>	<u>F. 1974</u>
Gross Available				
<u>Revenue</u>	<u>492,000</u>	<u>448,000</u>	<u>403,781</u>	<u>369,467</u>
Allowance for Vacancy (5%)	<u>29,600</u>	<u>13,337</u>	-	-
Net Revenue	<u>462,400</u>	<u>434,663</u>	<u>403,781</u>	<u>369,467</u>
<u>Expenses</u>				
Property Taxes	112,000	93,000	77,891	64,184
Hydro	62,400	58,500	49,433	42,806
Water	8,800	7,700	7,112	6,381
Wages	27,000	24,000	30,492	26,489
Repairs and Maintenance	31,000	28,000	17,533	10,780
Miscellaneous	<u>8,300</u>	<u>8,122</u>	<u>16,347</u>	<u>7,672</u>
SUB TOTAL	249,500	219,322	198,808	158,312
Mortgage Interest	212,500	180,000	182,045	183,546
Equipment Depreciation	<u>15,000</u>	<u>15,000</u>	<u>14,492</u>	<u>13,830</u>
	<u>477,000</u>	<u>414,322</u>	<u>395,345</u>	<u>355,688</u>
NET PROFIT (Before Taxes)	14,600	20,341	8,436	3,779

NOTE:

Supporting schedules on the above figures are available if verification is required.

These figures represent the impact of the Rent Stabilization Act (Bill 19) as it was set forth for First Reading in the Manitoba Legislature and the cost increases as they are anticipated for the periods under consideration.

ITEM: BGeorgetown Park Apartments

(Extract from the audited Financial Statements for F. 1975)

Schedule of Fixed Assets

<u>Rate of Depreciation</u>		<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
1.	Land	279,317	-	279,317
2. 2½ SL	Buildings	1,744,676	138,058	1,606,618
3. 10 SL	Equipment	98,444	30,873	67,571
4. 8 SL	Parking Lot and Fence	47,596	11,278	36,318
5. 10 SL	Swimming Pool	<u>8,403</u>	<u>2,661</u>	<u>5,742</u>
	TOTAL	<u>2,178,436</u>	<u>182,870</u>	<u>1,995,566</u>

Calculation of Value Invested - F. 1975

Cost of Land and Improvements	2,178,436
Less Depreciation on Items 3 and 5	<u>44,812</u>
	<u>2,143,624</u>

	<u>F. 1977</u>	<u>F. 1976</u>	<u>F. 1975</u>	<u>F. 1974</u>
Projected Profit/Loss	14,600	20,341	8,436	3,779
Add Back Mortgage Int.	<u>211,500</u>	<u>180,000</u>	<u>182,045</u>	<u>183,546</u>
	<u>197,900</u>	<u>200,341</u>	<u>190,481</u>	<u>187,325</u>

Expressed as a percentage
of return on Investment

9.2	9.3	8.9	8.7
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There doesn't appear to have been any attempt in spite of the federal legislation and now this legislation to curb the ever-increasing costs imposed on utilities on all sectors of the community I might add, by the hydro, the city, the water, the sewer, the taxes, they're all escalating at a far greater rate than the rate at which you propose to peg the rental revenues on any property.

These are Pro Forma Statements for this Division which detail our income and expense statements for the last three Financial years and attempt to project the effects of the legislation into fiscal 1977. They're based on a 95 percent occupancy of the complex, which we are told is average, but I have gone back and researched our figures as to occupancy on the basis of incomes out of total available income at the current rental rate on the property, and I find that our vacancy rate in 1973 was 4.7 percent, in 1974 it was 4.2 percent and we seem to have done better in 1975, it was one percent. The point I'm trying to illustrate is that this is an item over which a landlord does not have very much control. 95 percent is a good occupancy rate. If you're doing that, you're doing well. If you get it down to one percent, you've got to be doing something exceptionally well. Unfortunately, we can't quantify this and make sure that we continue it in the coming years.

I also went back through the rentals on the basis of increases in revenue to the company, which is different from the rate of rental increase on a particular suite, and I find that our revenue went up between 1973 and 1974 3.3 percent; 1974 over 1975, 9 percent, and 1976 over 1975. In as far as 1976 is currently available to us and with some projection, it will have gone up 7.6 percent. However, if you contrast this with the rental increases on a single suite, you'll find that they have gone up more than the amount allowed by the Act, particularly with the time incidence of the Act which is when all the rentals were going up.

We'd further like to submit that if we're forced to implement the Act to the letter,

(MR. O'DONOVAN cont'd)that we'll wind up with a rental structure such as that illustrated on Item C. One suite at \$174 - I'll leave off the cents if you don't mind. - one at \$176; three at \$179; one at \$180; 29 at \$181; 12 at \$187; one at \$188; 79 at \$192; 24 at \$196; 17 at \$198; two at \$204; 17 at \$209 and two at \$218.00. These are all two--room apartments. The only difference is the floor that they're on. It doesn't seem equitable to the tenant to pay the differential between the high and the low of \$43.00.

On Item A, I've shown that, if you care to read the . . . I've set out the expenses, I've set out an allowance for vacancy separate which is based on the balance of 1976 and in 1977 in total, I've separated out the mortgage interest and the equipment depreciation. I haven't taken into account any depreciation on the building itself. It shows that we made a profit of \$4,000 in 1974; \$8,000 in 1975; \$20,000 in 1976, and a projected loss of \$15,000 in 1977. This is on an 189 apartment complex. I noticed with interest that no landlord has so far admitted that they have been back-renting, I don't think we can claim the distinction of being first in that respect.

MR. CHAIRMAN: Sorry, I didn't hear what you said. . .

MR. O'DONOVAN: I said no landlord so far in the meetings that I've attended has said that they have been charging excess rentals and I don't think we're going to be the first. I would like to submit these statements to you; if you wish, they can be subject to audit, they've been done to the best of my ability; I submitted them to our auditors for scrutiny and he hasn't come back to me with any comments on them.

MR. CHAIRMAN: Thank you, Mr. O'Donovan. There may be some questions members of the committee may have. Are there any questions? Mr. Turnbull.

MR. TURNBULL: One brief question, Mr. O'Donovan. On Item C, you listed the monthly revenue for apartments and said that the spread was not equitable to the tenant. That's the existing situation that's not equitable, is that what you're pointing . . .

MR. O'DONOVAN: No, sir. This illustrates that if we implement Bill 19 to the letter of the law taking maximum increase allowed under the law, that this is the situation we'll wind up with.

MR. TURNBULL: If it's a ten percent increase, it must be going up on bases that are as inequitable as these are.

MR. O'DONOVAN: No, because the rentals changed at different times, that by setting a fixed date there's no way that we can catch up or hit a median point.

MR. TURNBULL: Just one other question. On Item A, your fiscal '77 and fiscal '76, are these figures based on what exists or on the rent stabilization bill as in effect?

MR. O'DONOVAN: These figures are based in total on the effect after the implementation of Bill 19.

MR. TURNBULL: Oh I see. So fiscal '74 is based on what would have been if there had been a bill?

MR. O'DONOVAN: No. Fiscal '74 is as it was, fiscal '75 is as it was, fiscal '76 includes Bill 19 and the rollbacks as they will apply to us, and fiscal '77 is including the rollbacks and the allowable increase.

MR. TURNBULL: Okay. Thank you. I wasn't clear from the table. Thank you.

MR. CHAIRMAN: Further questions? Hearing none, thank you, Mr. O'Donovan. Alison Campbell. Manitoba Landlords Association. Mr. Fred Engel, . . .

MR. SILVERMAN: On behalf of the Manitoba Landlords Association, I would like to ask postponement until tomorrow night, that the gentleman whose going to present a brief has gone out of town, he didn't know whether he would be called tonight. So with your permission, I would like to postpone that until tomorrow.

MR. CHAIRMAN: I'm afraid he'll just have to go to the bottom of the list.

MR. SILVERMAN: I beg your pardon?

MR. CHAIRMAN: Is he from out of town?

MR. SILVERMAN: Yes. This gentleman whose presenting the brief went out of town. He's out of town.

MR. CHAIRMAN: Well then I'm sorry, he'll just have to drop to the bottom as we've been going through.

MR. SILVERMAN: We'll accept that. Thank you.

MR. CHAIRMAN: Mr. Ray Massey. Mr. H. A. Friesen. Mr. P. E. Kostas. Mr. Harvey Williams. Mr. Bernard Oster. Councillor Frank Johnson. Mrs. Tina Syrota. Mr. Jim Hitchings. Mrs. Syrota.

MR. CRAIK: Mr. Chairman, before Mrs. Syrota starts I wonder if the Minister would like a minute to get some of his colleagues in to listen to the representation at this committee.

MR. TURNBULL: I have colleagues here. There are colleagues here. There are as many of us here as I think as there are of your . . .

MR. CRAIK: Mr. Chairman, we have three members of the Government here as members apart from the Chairman.

MR. TURNBULL: I think you miscounted, Mr. Craik. The Minister of Agriculture is here and Mr. Adam is here, Mr. Petursson is here, Mr. Jenkins is here and I am here.

MR. CRAIK: Mr. Chairman, we now have four members of the government here.

MR. CHAIRMAN: Would you proceed, Mrs. Syrota.

MRS. SYROTA: I just wanted to ask questions instead of presenting a brief. It's something that's not quite clear to me. Why are landlords the first ones to suffer of price control. Are we under a dictatorship? It is their property; it is their accumulation. Some people put their dollar on the property, some on a bottle of beer, some on their clothes and so on. Who ever saw a landlord walking the street, twisting people's arms to go live in his apartment and pay the price of his rent. If I can't afford a mink coat, I settle with a cloth coat.

I landed in this country in 1922. I wasn't able to pay rent of any kind. With my own hands I built myself a two-room shack, painted a couple of coca-cola cases and that was my home until I could afford to live better. I did not refuse anybody for charging me rent. The majority of tenants expect a little bit too much.

In 1970 my son, his wife and myself chipped in and we bought a little block with 36 suites. It is my first comfortable and happy home. I am 76 years old; I still take care of the block myself and I feel prices of rent is quite reasonable. In 1974-1975 one-bedroom suites with car plug, air conditioned, cablevision, price was \$125 to \$130 per month. In 1975 price went up 15 percent. With the ten percent increase in the rent, with the day-to-day increases in the service monthly bills, mortgage \$3,035 per month, I cannot see how it would be possible to carry on. Thank God I didn't destroy my two-room shack. Probably I will have to . . . Is that what Mr. Turnbull would like to see? Thank you.

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

Mr. Jim Hitching.

MR. JIM HITCHING: This is a short brief, I hope. I listened with great interest to the independent economist who presented her brief because I am in fact a small landlord from more or less the same area and really I'm just discussing an increased cost. The cost at least doubled by a government agency, while my ten percent is fixed. I can hardly believe the appeal board will believe what I'm saying about this. An underwriter at MPIC, Mr. Francis Kirk, implies that the more human waste is flowing down the same outlet, the more likelihood there is of fire, damage and destruction. Sounds strange but this is true.

I'm a small landlord with two homes as I said. When the second one in which I do not reside was insured by MPIC for a factor of six times that of the first one, I wanted to protest. I submitted details of this charge to Mr. Wally Johannson who claimed that MPIC were competitive. However, I feel I've obtained a much better deal elsewhere, a deal in the region of half what MPIC are charging and with the same coverage for the buildings which are very similar in their human and material contents. I can't say where at this time I've found this better deal but I have. I've looked around. Maybe lots of other people haven't been able to but I did.

Now why was the second one insurable for so much more? I've got the facts on this in an envelope, I submitted them to Mr. Johannson. Now it's a largely similar house, the second one, in a slightly inferior area on a slightly smaller lot. But apart

(MR. HITCHING cont'd)from that the second home is largely the same as the first one in which I live - there's nothing to justify a rate that's six times higher. I won't go into the figures but they're there - except for one thing I'm told. Too many suites share the same bathroom, which leads me to think that the MPIC have discovered the well-known link between the amount of excreta pouring down the same outlet and the likelihood of fire damage. Perhaps they realized that my first house, my residence is close to an NDP office and I'm likely to receive safety and blessing from such a proximity, hence the favourable premium.

But back to the bathroom idea. Did the MPIC experiment to find out about the shared bathroom causing a fire theory or is it based on actuarial practice or what happens in homes or is the shared bathroom idea a roundabout way of saying that those who can't afford a separate bathroom are greater fire risks? My tenants are certainly pleasant and reliable people. Maybe many people in an MPIC office - this is speculation - shared the same bathroom and they once had a fire. Let me reassure them, the fire may have had nothing to do with the bathroom. Maybe they had no fire. That's more likely. Government people are reported to have spacious and luxurious offices let out at much higher rent than offices are let to commercial firms, I quote in a recent report, and that bugs me.

My premium possibly not based on actuarial practice and paid to insure the lives and property of people much poorer than most government employees, including myself, is merely making sure that the onward march of state capitalism continues in comfort, inefficient comfort at that as we all know, and the government can rise its charges while I can't. I could say more and refer to the charts and essays produced by the Fraser Institute from that book "Rent Control A Popular Paradox." I'm sure much more able and qualified people than myself have already done so. I hope so. However during my research I came across a quote by Professor Gunnar Myrdal, a Swede, who Paul Samuelson, winner of the 1970 Nobel Prize, described as an important architect of the Swedish Labour Party's welfare state. I wouldn't call that description of the Swedish Professor the description of a right winger. Gunnar Myrdal says, "Rent control has in certain western countries constituted maybe the worst example of poor planning by governments lacking courage and vision."

With a final example I close. Automobile manufacturers constitutes a free market. Cars are expensive; gas is expensive. Both rose with the same speed as rents and now the industry begins to thrive. I don't see the American Government tinkering with General Motors, do you?

MR. CHAIRMAN: Thank you Mr. Hitching. There may be some questions some members wish to ask. Mr. Wilson.

MR. WILSON: Are you relating this experience with the insurance to the costs experienced by a resident landlord? Are these one of costs that's bothering you?

MR. HITCHING: Yes, this is a cost that's bothering me. I hope I've, you know, managed to get around that government cost by going to a private company. But other people may not.

MR. CHAIRMAN: Mr. Bilton.

MR. BILTON: This one bathtub intrigues me. How many families does this one bathroom accommodate?

MR. HITCHING: Right now there's five people sharing the one bathroom.

MR. BILTON: Five individuals?

MR. HITCHING: Yes.

MR. BILTON: That's not bad, no complaints there.

MR. HITCHING: Well, you know I did call the MPIC and they said they might have the place inspected and upgraded as a better class rooming house, but the person who spoke to me said they hadn't seen a better type rooming house for years. They were a bit pessimistic.

MR. CHAIRMAN: Further questions? Hearing none, thank you, Mr. Hitching.

MR. CHAIRMAN: Mrs. Joan Pawlikewich? Did I pronounce that correctly?

MRS. PAWLKEWICH: Pawlikewich.

MR. CHAIRMAN: Oh, thank you. Proceed, please.

MRS. PAWLKEWICH: Mr. Chairman, Honourable Minister, Members of the

(MRS. PAWLIKIEWICH cont'd) Law Amendments Committee. I am a tenant who wishes to speak about proposed Bill 19 on behalf of my husband and myself. We previously had no intention of taking up your time but became increasingly alarmed at some of the landlords' statements and recommendations.

No. 1. Mr. Kushner recommends tenant appeals. Indeed! He knows full well they won't appeal and why. We will use our own experiences at the hands of the local big business which is a large real estate firm handling its renting to elaborate further.

In July, 1973, we rented a three-bedroom townhouse on the outskirts for \$200 per month. Average, not fancy. We paid utilities except for car plug in. It filled our requirements. There were plaster filled spots in the walls in readiness for painting, we assumed. The following year, 1974, received a month-to-month lease as opposed to yearly lease. With this there was an increase to \$215 per month, with a one month notice, not three as required. The increase we considered a reasonable $7\frac{1}{2}$ percent. Believing a mistake had been made on the length of time of the lease I called and was told no mistake, only month-to-month leases were being issued. The possibility of a rent increase every three months wasn't too pleasing. I informed him that improper notice was given for a rent increase and his reaction was, let's not quibble over a few dollars. Our dollars. After further discussion regarding painting and return of excess of our security deposit he threatened us with eviction stating, maybe I'll give you your notice. I talked to neighbours and virtually the same things were occurring. Their reaction was one of great annoyance but did not believe the rent would be increased even if they weren't allowed a yearly lease. They were to be disillusioned.

We then got in touch with the Office of the Rentalsman. The Rentalsman informed us that our rent was increased incorrectly and we should begin paying the increase only after three months expired. And, too, that the landlord could not refuse to renew our lease unilaterally.

October 30th, 1974, rent increased to \$240 per month starting February 1, 1975. Properly executed but we were still covered by our existing lease. We refused to pay this increase. April 1975, new lease issued from August 1, 1975 to July 31, 1976, for \$250 per month. Properly executed. We signed and returned same again requesting painting. We made copies of the lease for ourselves. Percentage increase 16 percent. June 1975, another lease. This time for \$295 per month. A 37 percent increase for our unit. Somehow the landlord had mislaid or forgotten about the other lease. Ours wasn't the only one to be mislaid. At the same time similar increases were being issued to the other units. The neighbours were in an uproar. These same people had been issued with other increases and didn't use The Landlord and Tenant Act for protection.

It was at this point we decided to informally organize the tenants and see what could be done. Many units had repairs outstanding with only promises of work. Landscaping was mentioned even when we arrived in 1973. It still isn't done. Although upset that the rent was increasing and repairs and upkeep weren't being done, many had the feeling that the landlord was too big to fight and the thought of court action was always there. It proved to be a very real threat. We decided to continue alone to oppose the landlord's actions. We were harrassed, threatened and finally ended up in court opposing an application for a Writ of Possession by the landlord. The case was dismissed and the landlord had to pay \$50 of our lawyer's fee but we had fees in excess of this amount. Even in winning we lost.

No. 2. The landlords indicate they aren't making sufficient profit. They flaunt audited statements of Winnipeg buildings showing three out of five incur losses. Unfortunately such generalities don't allow an individual tenant to determine whether his personal increase is justified. In our case we determined the annual mortgage payments, interest rate fixed at $8\frac{1}{4}$ percent and taxes paid on our development. We were able to estimate his expenses, and determined that his income was quite in excess of the lowly 2 percent of investment claimed by some landlords. When our negotiators were discussing the tenant complaints with the landlord, he brought out a supposed financial statement for the development. We found that in many cases our estimates of his expenditures were in excess of actual expenditures. The landlord on realizing we had researched the mortgage and taxes and had an estimate of our own became infuriated stating we

(MRS. PAWLIKIEWICH cont'd) :had no right to such information or to question any rent increase.

No. 3. Landlords talked about how they aren't meeting their expenses because of increased utilities, taxes, etc. They failed to mention many tenants pay their own utilities. They haven't mentioned the excess available money from security deposits that they can utilize, especially the larger operations. If they are losing the amounts they say, it can only be attributed to poor business judgment.

We feel sympathetic to the smaller operator who does not have the same working capital as the larger ones. We are not against free enterprise, certainly the contrary, but believe it is voluntary choice and must be entered into with full knowledge of the risks and pitfalls encountered along with the joys of independence. To do otherwise is stupid. It means hard work. It does not mean a guaranteed income for every person who has a dream to be self-employed. It's not fair to ask the tenant to subsidize the dreamer or the incompetent previous or present owners be they large or small.

Everyone is faced with utility and taxes hikes and simultaneous wage freezes - not the landlord alone but the home owner and tenant alike. We are in the midst of anti-inflation measures nationally but our local landlords keep marching on expecting the same affluence as previously, apparently oblivious to the larger business community. Where is their responsibility? They come off like martyrs and social workers providing great services to the public. We know otherwise.

In closing we would like to make the following recommendations:

(a) That the statement to have the landlord appeal be retained.

(b) That the landlord supply to the tenant, either individually or via a central bulletin board, the previous five years' financial statements of all his businesses when there is an increase in rent. This is essential if a feeling of mistrust is to be allayed between the landlord and tenant.

(c) If possible, we would like to see the government avail to the builders money at a cheaper rate.

MR. CHAIRMAN: Thank you very much. There may be some questions.

Mr. Craik.

MR. CRAIK: Well, Mrs. Pawlikewich, we can more or less conclude from your closing statement here that your main grievance is the fact that the landlord make his costs known. Now if those costs are made known to a government agency, an appeal board, does that satisfy your requirements? If they go to the appeal board and justify? I don't know what your building is and I don't think that your landlord is concerned, but if your landlord is in fact one of the people that has been taking advantage of increased costs generally and if you're paying your own utilities, something like that, and using them as justification for increasing rents but they're being passed through to you, does it satisfy your concern if those are submitted to the review board for examination and approval. Does that solve the problem?

MRS. PAWLIKIEWICH: Yes it would if No. (a) was kept, was retained.

MR. CRAIK: You're suggesting here that they actually be posted in the building, presumably.

MRS. PAWLIKIEWICH: Where it's a big high rise apartment building, but this is impossible if there are separate units.

MR. CRAIK: But if in fact they're examined and reviewed by the government body, this solves your basic complaint does it not?

MRS. PAWLIKIEWICH: Yes if No. (a) above that is retained in proposed Bill 19.

MR. CHAIRMAN: Mrs. Pawlikewich, would you be more comfortable sitting down?

MRS. PAWLIKIEWICH: No, this is fine. I'd like a drink though.

MR. CHAIRMAN: Are there any further questions?

MR. CRAIK: I think that my question's answered, Mr. Chairman.

MR. CHAIRMAN: No further questions?

MR. TURNBULL: I'd just like to thank you. Your brief actually is very very clear and therefore I don't have any further questions. You do agree that the appeal process that you mentioned in (a) though should include the initial period, that is the period we are now in?

MRS. PAWLIKEWICH: Yes.

MR. TURNBULL: Thank you.

MR. CHAIRMAN: Mrs. Anne Ross, Mount Carmel Clinic. Mr. Don Walrod.

MR. DON WALROD: I'll have to read my brief, Mr. Chairman. Mr. Chairman, honourable members, ladies and gentlemen.

I am a retired serviceman and have rented and renovated accommodation and old houses for over 30 years. Now it seems my wife and I have become one of those nasty landlords. We do not claim to be good businessmen but since we must depend on some investment income to supplement our pension we are naturally concerned about the loss of purchasing power of our savings through inflation. I'd like to keep this submission as short as possible. I figure that these meetings must cost about \$100 a minute and if they go on much longer nobody wins.

Some temporary form of rent control is obviously required at this time but the legislation presently proposed still does not appear to contain adequate provisions to protect small investors who have already done their best to hold rental rates to a minimum from loss of that badly needed income. It is understood that some appeal of the compulsory rebates is being considered but that we may be required to make the rebate before the appeals are processed. It is believed that such a requirement would not only result in unnecessary hardships for small investors but it would defeat the purpose of controlling inflation. For instance, although some of our tenants were on provincial welfare for over a year, and we have been subsidizing their rent for approximately \$50 per month, we still have to caution them periodically to keep empty beer bottles away from blocking the exits, the fire exits. The following personal experiences which can be fully substantiated by records are submitted only as example to assist in amending or changing the proposed legislation as required. I was going to keep this short.

While in the service and subject to transfer on a short notice we were not overly concerned with first-class living accommodation but thought we could save enough by buying government bonds and renovating old houses to build a decent home on retirement. I think that's fair enough. However circumstances changed and we needed some investment income to supplement our service pension so we're still living in an old house. About 1973 the cost of living began to soar so badly that even our insurance and retirement savings plan could become relatively worthless in a few years. Having had some experience in old houses the best action seemed to be to invest in some rental property as the market value of such property had been increasing at approximately the same rate as the purchasing power of our investments were decreasing. We felt that we could take care of most of the maintenance ourselves. We believed that we could still realize a return of approximately $7\frac{1}{2}$ percent on our investments which would be non-taxable because of the depreciation allowance or relatively so and would be comparable with income from bonds after taxes. Now this is what my whole submission is based on. Profit and loss, if it's a loss it's below $7\frac{1}{2}$ percent investment income. We started looking for property early in 1974 but building costs were increasing so rapidly that at that time we were advised to wait for them to settle down.

We bought a duplex on the first of November. It's on Alverstone. But by that time even the corporation bonds had deteriorated a further 15 percent so that we had to take a considerable capital loss. I won't mention figures, it's all written down. However, we still hope to recover these losses through future increases in property costs. Initial rental rates were set as low as possible to attract suitable tenants and to protect them from the rapidly rising rental rates at that time.

The previous owner's stoves, refrigerators, automatic washer and power lawn mower were purchased for the renters' use. Heat and water expenses were included in the rent and the double garage and paved parking spot were provided at no extra cost. The tenants were required to pay their own Hydro bills as they were recorded on separate meters. No restrictions regarding pets, children, etc. were imposed, but a security deposit was required to cover any excessive damage. The rental rates were based on the previous owner's taxes, utility costs and repair expenses. The mortgage and loan interest was then added and the allowance of $7\frac{1}{2}$ percent on investment.

The rooms were large and well decorated and the first two parties that looked at the accommodation appeared quite happy to obtain three-bedroom suites under these

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(MR. WALROD cont'd)conditions for \$200 per suite. I don't know if that sounds reasonable or not but that's what we started out with. One couple who had their own stove and refrigerator were allowed \$5 reduction. They said they had moved out of a new townhouse which had cost them approximately \$65 a month more but had been so flimsily built that it was falling apart.

Initial operations indicated that our operating costs would be higher than expected and that some other arrangements would have to be made to prevent an income loss of approximately \$100 a month. We had evidently under-estimated future tax and utility increases and failed to realize that increased expenses cannot be recovered from rental agreements on a fixed rental basis, during the term of the lease. We were advised to raise the rents by 25 percent immediately but believed that some other arrangements, more acceptable to all concerned, could be made in the next rental agreement. In June, 1975, or approximately then, it seemed clear that rising costs were no longer of a temporary nature so estimates of future expenses were tabled as follows - I don't know how to read this.

Anyway I've got four columns. The previous owner, information we got from her, and what the rates were in 1975, and what they were projected to be in 1976, and percentage increase. I think you've gone over these so much that - however her taxes were approximately \$850; 1975, \$970 and 1976 we projected them at \$1,100. Now we must realize these were only a guess over a year ago. However we've come out in the paper the other night saying the mill rate was going up 18 points and 18 over 51, I wasn't far wrong. Anyway I'm estimating an increase of 15 percent. Her heating costs were \$240, ours 1975, \$380 and we estimated 1976, \$500 and I got 30 percent. I was getting kind of mad here, I don't know if my figures are right.

Water. Her bills were \$90; our first year was \$120. Didn't go up but must of had cleaner tenants. Then we figured that by 1976 it would be about \$180 which comes to around 30 percent.

Insurance. \$84, \$113, \$150, 35 percent.

Repairs. She didn't even put \$120 on it. The first year I had to put \$396 on it. It was 26 years old and I hope that by this year I'll be able to drop it down to \$300 or less.

However the interest rate was a big factor. She didn't pay any; we paid \$2,700 in 1975 and we expected that by paying off the principal that the interest would drop down to \$2,650 in 1976.

All this gave us an estimated income loss of \$1,200 in 1975 and I might point out that the duplex was purchased net \$37,000, downpayment of \$15,000, but after I covered the adjustments, the lawyer's adjustments and what not and put down quite a number of initial renovations which were added to the capital cost; that added about \$970 more on the total capital cost.

Now it says here that repairs were considered originally high but necessary because the fences and the exterior trim had evidently not been painted for approximately 25 years. One fence had never been painted. We wished to maintain and improve the value of our investment. Well the first action, this is what we tried to do.

The first action that appeared indicated was to reduce the largest controllable expense which was obviously the mortgage and the loan interest. Therefore a maximum effort was made to pay off the high interest open mortgage at anniversary date. Now I can't say that every small landowner would be able to do that but we did make a maximum effort and we did it. This we managed to do by cashing in our retirement savings plan at a capital loss of \$643. The retirement savings plan so far as I could see was not going to buy anything anyway in ten years. We sold the mortgage which has provided \$110 a month income. We had one of these five-year mortgages and it matured at that time. It happened to be down in Belleville, but anyway we sold it but we lost a \$100 a month out of it. This was not principal, this was interest. Then we borrowed \$2,000 from a neighbour and we exhausted our credit union savings account. Please don't misunderstand me. This submission is not crying the blues, it's strictly an example for your benefit.

The second action clearly required and taken was to advise the tenants that a

(MR. WALROD cont'd)15 percent increase in rents was regrettably necessary at the termination of their present agreement to cover future clearly indicated increases in expenses and to maintain our investment income at a reasonable return. You hear that every day but now it means something. One agreement was extended from 12 to 20 months to coincide with the tax notices and the school year and we hoped to be able to extend the other similarly without another increase. We presently believe that our losses could be eventually recovered under the present arrangement and we do believe it. I'm being honest.

But our immediate problems are as follows. Now this is irrelevant possibly. But right now how do we pay back the income tax on the retirement savings plan cashed? It's immediately due and payable. This is more difficult because we have exhausted our savings and investments and no capital loss is allowed for right through our RSP. This happened to be an equity fund. We can't claim any investment income. Now this came in this year. We could each have claimed a \$1,000 investment income as a deduction. Now we haven't got any so we can't claim it.

Then there is this depreciation allowance or capital cost allowance and I'm sure I don't know how to work it but it is explained on our capital loss statement. Although we were only able to withdraw \$52 income in 14 months, still we had about a \$600 gain by paying off the principal on the mortgages and by building up the cash reserve fund which you had to have to pay cheques on. Anyway we could claim, or I should think we can claim a one percent depreciation allowance to cover the loan principal payments which have resulted in increased equity in the property. That's our saving.

Now this is another question. Where can we find the money to pay back a rental rebate of \$20 a month for a year if the legislation is passed as presently proposed? That's my main beef, Mr. Turnbull. A profit and loss account for this operation has been prepared and is submitted to our MLA. Unfortunately he's at another meeting. We would rather keep this statement relatively confidential but have authorized him to use it as he sees fit, to ensure that the legislation is amended as necessary to prevent penalizing landlords who through themselves are seriously affected by inflation are still doing their best to prevent passing increased costs on to their tenants. Now that was the last of the submission finally. But now I think I should give you a rundown as how this profit and loss account was made up if you wish, Mr. Chairman.

MR. CHAIRMAN: Proceed.

MR. WALROD: I'm not an accountant or auditor or anything but I called the Rentalsman's Office when I first became concerned about this and they suggested making up some kind of a profit and loss statement or something or other. Anyway we made it up and it does show right from the date or purchase how much we put into it, how much capital loss. As I stated, the corporation bonds had deteriorated so we didn't have quite as much money as we thought for the downpayment so we had to get a loan from the insurance company. But anyway we took a capital loss of \$2,889.91 as our capital costs and in the 1974 operations we actually made a \$100 or so. We only had to pay one mortgage payment that month because there was only two months and we only paid one mortgage payment. When we paid it off, we paid off the mortgage, we ended up with the investment of total capital of \$34,005.

Now when we go to our operating, the profit and loss on the 1975 operations we have got the operating expenses and these are balanced out. Expenses on one side, \$4,860. Now our taxes, insurance and all that stuff comes to \$2,022. Interest charges, \$2,210 and we've paid off \$537 roughly on our principal payments which we classed as a gain. Our cash reserve we increased it by \$37.00 and we took out \$53.00. Actually we had taken out \$2,223 income but then we found we spent more on our repairs that were necessary so it had to advance back \$170 and ended up with \$53.00.

Anyway you can add this up if you want: \$4,860 on one side and \$4,860 on the other. The gain to capital increase is \$537; increase in cash reserve \$37 and income withdrawn \$53.14. Then we go into depreciation. I showed that as a loss and I don't know what to do with it. But if I have this house for a hundred years I don't think it will be worth much so I showed it as one percent of the total cost, as a loss, at \$406.

Then we come to the cost of capital. This I got out of the book so I don't know whether it's right or not. I had to go out and buy a book on How to Keep Accounts. Anyway we're basing this at $7\frac{1}{2}$ percent on the amount of money that we had invested which

(MR. WALROD cont'd)was \$14,275 for ten months or \$892.60 and \$3,405 for two months is \$425. Now there's \$1,317. Then we added it all up and we've got on that basis a loss of \$1,096.24 which is a little better than we had estimated. We estimated \$100 a month. But we had raised our rents effective the first of November by \$60.00 a suite so we had \$120 more than we originally would have.

Now I've come to the end of my line, gentlemen, and I hope - I wish Mr. Green was here, I'd like to have asked him some questions.

MR. CHAIRMAN: Thank you, Mr. Walrod. There may be some questions members have.

MR. WALROD: It's getting late.

MR. CRAIK: How many units do you operate?

MR. WALROD: One duplex with two three-bedroom suites. One upstairs and one downstairs.

MR. CRAIK: Do you live in it yourself?

MR. WALROD: No we live in our old house up on Albany Street. This is strictly an investment and was not meant to go into the rental business. All I was hoping to do is to maintain a reasonable income from our investments and to stop our investments going down the drain through inflation. Now that may be a new concept here but it seems reasonable to me, Mr. Craik.

MR. CRAIK: Well, I want to thank you for your presentation. I hope that your case is not a typical case or it's going to be difficult.

MR. WALROD: I said I was a poor businessman and that's why I wanted to see Mr. Green.

MR. CRAIK: You wanted to join forces with him. He also puts himself in that category.

MR. WALROD: Well thank you very much for taking your time, gentlemen.

MR. CHAIRMAN: Just a moment. I have another question. Mr. Johnston.

MR. F. JOHNSTON: Yes, Mr. Chairman. I'm going back in your brief. Did you say that in 1975 you lost \$1,200?

MR. WALROD: No I didn't. I said we estimated early in 1975 that we would lose \$100 a month and projected costs, that \$1,200, was in there. I've said on this statement, when it was made up, that on the basis - now actually we had a gain of \$617. Increased equity. But we lost the income from the investment that we had in it. So calculating the income from the investment at 7½ percent, that amount is \$1,317, which gave us a total net loss for 1975 of \$1,096.24. You can remember that better than I can. As a matter of fact I had made a mistake in this when I first passed it in and I had my loss \$3 too low. I'm not complaining about taking \$3,000 capital loss; I'm not complaining about losing \$1,000 investment in one year, I don't think I should have to, no. But I do object to having to pay back \$240 before there's even an appeal made. That just isn't fair as far as I'm concerned and I don't think this will happen. I don't think any responsible government would do this. But nobody has got up yet and said they wouldn't. Thanks, gentlemen. That's enough.

MR. CHAIRMAN: Thank you, Mr. Walrod. I have some briefs and I have four people here on the first run through which we are going to try to get through this evening and then we'll start fresh. But I have some people who have not appeared, have made no contact with this office and the Clerk has some briefs here. So I think at this time, I'll have those distributed and I'll ask members to hang onto them in case people do appear later on.

MR. PETURSSON: Mr. Chairman, I was going to suggest that since we are meeting tomorrow night if there would be any inclination on the part of those who still wish to make a submission to leave it over until then and we could hear them at that time. But I suppose if there is a desire on their part to continue now then we would hear them.

MR. CHAIRMAN: I have four more names on the first run through and I would like to try and make it through on the first run through.

MR. HENDERSON: Mr. Chairman, on the same point. It was coming over the news tonight that this Committee would be sitting tomorrow night and I think that it would be unfair to rush it through after it's been on the air that . . .

MR. CHAIRMAN: We're sitting tomorrow night; we're starting all over again. I would like to run through the first run through.

Mr. Stanley Millan. Is Mr. Millan here?

MR. S. MILLAN: Mr. Chairman, honourable members and ladies and gentlemen. I must apologize, I don't have copies for you. We landlords are always missing the boat - I should have had copies made. I have two of them here if that will help somebody.

MR. CHAIRMAN: Have you deposited one with the Clerk?

MR. MILLAN: Beg pardon?

MR. CHAIRMAN: You could deposit one with the Clerk.

MR. MILLAN: All right. I can do that.

MR. HENDERSON: Mr. Chairman, on a point of order. I see that we are starting another brief. It's eleven o'clock, we've been here since ten o'clock this morning. We are early in the session; there's two committees running at the same time and I don't see any need of continuing on and I move that the committee adjourn.

MR. CHAIRMAN: Committee rise? That the Committee rise. All those in favour of the motion that committee rise? Five. All those opposed? Ten. Motion is lost.

Mr. Millan.

MR. MILLAN: I was hoping that I'd come back when there was some copies available.

The following brief is a 20-year review of rental increases for the following apartment blocks as operated by our family and some of you people might know these blocks. They're all on Corydon Avenue: Lady Harrow Apartments, Lord Harrow Apartments and Princess Harrow Apartments - 1014, 1011 and 1017 respectively.

In 1955 to 1959 we had no increases whatsoever. We started out - two kinds of suites - started out at \$70 and \$90, the seventy dollars a month obviously a much smaller suite than the \$90 one. So that's four years we had no increases at all. What I'm trying to do here, I'm trying to demonstrate that there are catching-up periods.

From 1960 to 1961 we had a 2.5 percent increase which represented a \$2 increase per suite per month. In 1962 to 1967, a five-year period, we had an increase of 3.7 percent for an average of \$3 per suite per month. In 1968 we had an increase of 1.8 percent, an average of \$1.50 per suite per month.

Now in 1969, the catching-up period, the increase was 21.4 percent, an average of \$22.50 per suite per month. All hell pretty near broke loose then because that was the catching-up period. We thought we were going to lose everybody in the apartment block but we lost one who transferred to Calgary. In 1970 after this catching-up period, we had a 2.3 percent increase. In other words a \$2.50 average. In 1971 there were no increases. In 1972 no increase. In 1973, 1.8 percent increase, an average of \$2.00 per month per suite.

Now in 1972 there were three apartment blocks involved, 1017 was now built, so we're talking about three apartment blocks now. The rents for the 1017 one in 1972 started out at - there are two different kinds of suites - started out at \$112 and \$125. So from here on, from 1972 we're talking about three apartment blocks.

In 1973 there was a 1.8 percent increase, \$2 across the board per month per suite. In 1974 there was an increase of 6.5 percent, an \$8 increase across the board. October 1, 1975 over May 1, 1975 - these are all one-year leases - the increase was 19.7 percent, a catching-up period obviously. An average of \$22.50. It just so happens that it's the same amount of increase per dollar as it was in 1969. That's right across the board with the exception of 1017 Corydon Avenue. It was a \$24 average increase per suite per month. Sounds terrible but when these catching-up periods come around there is no way of avoiding it.

Now May 1, 1976, we have indicated to the tenants, with proper notice, that the rents will be going up 8.5 percent. I know that the figure was slated for 10 percent. We were unaware of the 10 percent and it wouldn't have mattered anyway. All we thought we needed was 8.5 and that's what we advised our tenants the increase would be \$11.80 average. Now as I repeat myself I'm trying to demonstrate here that there is a catching-up period.

(MR. MILLAN cont'd)

Utility expenses - we amalgamate these - increases are averaged and based on the immediate previous year. They're amalgamated and based on the immediate previous year. Now I must have known this would be this late in the evening so I haven't gone back 20 years. I went back to 1973 and this is based over 1972. The electricity has gone up 10 percent. Now insurance, this is the second year of a three-year term so there was no increase. Gas went up 7.6 percent. Sewer and water, there was no increase. Taxes went up 36.5 percent. As I say this is based on 1972.

Now 1974, as I say based now on 1973, electricity went up 21 percent. Insurance, this is the third or last year of the 3-year insurance term so obviously no increase. Gas went up 8.9 percent. Sewer and water went up 25.8 percent. They obviously have a catching-up period. Taxes went up 17 percent.

In 1975 over 1974, electricity went up 23 percent. Insurance, I can no longer get it for a three-year term, one-year term went up 109.9 percent over the previous three-year terms and that's based on the cost of one year. 109.9 percent. Astounding. I guess I didn't do my homework like I heard the gentlemen ahead of me here, six or seven ahead of me, where he did a little shopping and got a pretty good rate. I guess I didn't do that. Gas went up 29.3 percent. Water, no increase. Taxes went up 18.9 percent.

Now 1976, April 1, the electricity went up 33 percent. Insurance, a one-year term again went up 28.6 percent over the previous year. Gas went up 12.6 percent. Now sewer and water on April 1, their catching-up period, went up 49.8 percent. Sewer and water, April 1, 49.8 percent. Taxes, I've got a big question mark. I don't know, I guess it will be probably 15, 18 percent, I don't know. You gentlemen will probably know what the taxes are going to be but I would think that there would be a minimum of 15 probably, a maximum of 20. But certainly it's going to be an increase.

The actual dollars charged for suites are as follows. Now the reason why I demonstrate this because there is a relationship between wages and what a person can pay for a suite. On October 1, 1974 - and again I don't go back that far, I'm just taking in the period where we're vulnerable in relationship to Bill 19. October 1, 1974, to September 30, 1975, we were charging \$102, \$112, \$127, \$132 and one type of suite - we only have one out of the 50 - incidentally I'm talking about 50 suites in three apartment blocks. You're probably going to get at me so I'll catch you before you get to me. Fifty suites. The \$157 - there is only one like that, it's a special suite for a special little old lady with a lot of built-ins.

Now on May 1, 1975 to April 30, 1976, the \$102 went to \$107; the \$127 went up to \$132. On October 1, 1975 - the reason for the split, two increases or two dates in a year, is that we try to get about half of them in the spring and we try to get the other half in the fall. So the fall one, October 1, 1975 to September 30, 1976, this year, that is a complete, right across-the-board comparison with the first figures I gave you, October 1, 1974 to September 30, 1975. That's from \$102 to \$122; from \$112 to \$134; from \$127 to \$152; from \$132 to \$158 and that special one for the little old lady who has more money than maybe all of us here put together, \$187 for her suite.

Now when 25 percent to 27 percent of a person's salary is used for accommodation - and this is quite acceptable and practical in our society - the above rentals fall well below this percentage, whichever one you want to take. For example, with this catching-up period \$122, that should represent one week's wage and I know that there isn't anybody in our apartment block that makes as little as that. So I'm trying to demonstrate there that the rates are not excessive.

Another important factor in these three apartment blocks is that they have always been kept up under constant repair and upkeep thus fostering a sense of pride for the tenants as well as for the local residents of the district. This is well demonstrated by the fact that these blocks contain a lot of original tenants. Unfortunately we lost one two days ago, one of our originals, Mrs. Bjornson, an old oldtimer of Winnipeg. We were sorry to lose her.

The rental increases that were a must in 1975 only reflected a catching-up in expenses that got out of line and beyond the landlord's control. That is to say that when the leases were signed in October of 1974, until the renewals on October 1, 1975 and

(MR. MILLAN cont'd) likewise the leases that were up for renewal on May 1, 1976 must have an increase of 8.5 over the established rent of October 1 - when I say "established" there's a difference between established rent and the rent on a premises I wish I had more time to get into that - of October 1975 or a 19.7 and an 8.5 percent respectively or a 28.2 percent increase in total. This increase sounds high for the 16-month period but in reality it is for a much longer period, May 1, 1970 to May 1, 1976. In reality that is the period - a 6-year or 72-month period for a total increase of 36.5 percent or an average of 6.1 percent per year.

Someone who is not in the industry may have some difficulty in understanding why do landlords go on for years with very little increase in rent then all of a sudden have a sharp increase. My explanation is this: that an experienced landlord values his assets and tries to keep expenses down. His most valued asset is his tenant and the liaison with he and his tenants. Therefore he holds down the rent as long as he possibly can and in some cases until it's almost too late. If Bill 19 is not amended to take this into consideration the conscientious landlord then will be penalized instead of encouraged and needless to say the result cannot be anything but harmful to the future of rental accommodations in the Province of Manitoba. In other words, if not amended as suggested, Bill 19 will have the very opposite effect of its original intention.

Just to perhaps clarify a few things here I would like to say that these three apartment blocks have had almost 100 percent occupancy in the last 20 years. Now this has got to mean something to you. They say if you have 100 percent occupancy it means that you're not charging enough rent. That's what the industry tells you. Now perhaps this is the case.

There are really two ways to operate an apartment block. I hope I'm not going to be chastised here but there's two ways to operate. Now I'm not saying I know everything about it, I just know a little bit. One way is to operate for a net revenue. You're going to keep the block. It's the net result that you want. You don't charge too much rent, the tenant doesn't demand unnecessary services, your end result is pretty fair. The other way is to build up a maximum rental statement. In other words the apartment block is operated for resale and of course the value of a resale is in relationship to its gross rental statement. You very seldom see any mention of the vacancy factor. Usually what is taken into account is the national average and that's what's put down in the statement. For that type of fellow this Bill 19 is built for, it's hand-made, and I'm sure this is not the fellow that you want to help out. This is the fellow that you want to bring down into reality and we as conscientious landlords are all for this.

As far as rental controls are concerned if everything is brought into the proper level to start with, it's like getting a licence to go to the bank and get money, really. You can always blame the government for the increase. So I'm sure I'm speaking for a lot of conscientious landlords, we welcome this sort of thing. But you must start off on the proper level. The man who has had a catching-up period must be recognized. I've heard people say this, I don't know if I want to agree with it but I've heard people say that Bill 19 was designed just for the purpose of capturing some votes. I don't think this was the intention at all. I have a lot of confidence in the people that are running our country and I hope that's not it.

In conclusion, gentlemen, if we want equity you'll have to have the proper amendments to Bill 19. Being that it's late, I want to thank you.

MR. CHAIRMAN: Mr. Millan, there may be some questions. Hearing none, thank you very much.

Mr. Peter Warkentin.

MR. PETER WARKENTIN: Mr. Chairman, Honourable Minister, Members of this Committee. I would like to present my brief at this time with this in mind; that we have no objection against the Anti-Inflation Board or the policy to try and control costs. However what we try to do is bring to your attention as to what is affecting us and what will be affecting the housing situation in the future if not proper control is applied. Reading from Page 1 then:

Dart Holdings Ltd. is managing a number of apartment blocks. These blocks are all privately owned and operated. The background of the owners vary from common working people to business and professional people. Bill 19, if passed as introduced, will be

(MR. WARKENTIN cont'd)detrimental and will greatly affect the landlords and in the final end the tenants and the housing standards within our fair province.

Members of the Legislature, I kindly request to be fairly heard on Bill 19 and the detrimental effects it will have. The apartment blocks I wish to refer to were built in 1969 and 1970 and 1971 at a time when it appeared feasible to obtain a fair return on your cash investment equity.

After the land had been purchased and construction of some apartment blocks had started, we experienced the following: a national economic slump, increase in interest rate on mortgages, increase in final cost of construction due to delays and increases as a result of construction unions going on strike, and a tremendous upward surge in the construction of apartment buildings in 1970 and 1973 which flooded the market. This greatly affected the financial position of the investors resulting in the following: Discounts had to be given to entice tenants, no yearly leases were signed, to stabilize the income, car stalls were added to suite basic rent without extra charge, etc. The end result, costs were up and income was down.

Between the years 1970 to 1973, the number of apartment units flooding the market continued both by private developers and by the Provincial Government's low rental housing units. The low rental units put on the market by the Provincial Government continued to create a high vacancy rate keeping rents down below operating costs. In our experience, this did one thing in favour of the private landlord. It took out the less desirable tenants and those who were unable to pay the rents, for whatever reason. In spite of these improvements rents remained too low to meet the costs let alone giving a fair return in investment. Since the buildings have been constructed the results have been that the landlords have not been able to increase the rents due to depressed markets to cover the initial increased construction costs, the increased cost of interest, the increased costs of operating expenses in general, the increased costs of utilities, the increased costs of property taxes, and the increased cost of labour for tradesmen, etc., private investors found it unprofitable to invest in apartment block development.

Therefore we see the following results which support the foregoing as information received from the City of Winnipeg Permit Department covering the area of Metropolitan Winnipeg. For the year 1970 the number of apartment blocks built was 59. Total number of units built was 2,509.

In 1971, 70 buildings with 3,076.

We should note at this time that January 1, 1972 was effective date where depreciation could no longer be written off against other income by professionals, etc.

In 1972, 52 buildings with 2,356 units.

In 1973, 66 buildings built with 3,944 units.

In 1974, 32 buildings with 1,929 units.

In 1975, 30 buildings with 1,277 units.

Information from the owners' year-end financial statements which are open to government inspection point out that there are no profits, without even providing for the following: loss on operation, no return on cash invested equity, no return on cash injected equity, no return on fair market value equity, if there is any, no income to cover principal payments have been made by owners from other income or savings, no benefits in depreciation write-off against block income, no depreciation allowance on equipment, no depreciation allowance on building, and no compensation paid to landlords for services rendered.

Here we have on Page 4 the information from owners' year-end financial statements where we show the operation of the block for the year, the income, the expenses. I won't bother going through the figures but I do want to bring to your attention, in the year 1975 we do not know the return because we don't know what extent the rollback is going to be, etc.

Another thing that might be interesting if we did take into consideration the rollback, if we just for an example took Block A - or A. Block One: 1973 income and deducted the 1974 expenses, we'd be about equal and so by rolling back you're having the same effect.

Some tenancy agreements are coming due all year round. If Bill 19 is legislated as introduced with the 10 percent increase in rents per suite based on June 1975 rents,

(MR. WARKENTIN cont'd)the following comes to light. Increases on the particular suites come due from that day forth; Landlord has to give notice to tenant in February 1975, with the full knowledge of last year's losses, and yet only increase the rents in the amount that the depressed market will bear to entice tenants to help reduce the vacancies and try to recover losses.

Now if I may at this time refer you to the back of the submission where we have a chart, to bring forward the ten percent that is to be amortized. We've heard various amounts of months ranging anywhere from 16, 15, 12 months. I've made a graph here and I'd like you to follow it with me. In 1975 any rent that was due in May has, in the year 1975, eight months, and in 1976 nine months, being a total of 17 months. Now if the June month were chosen, meaning that the landlord has to make up his mind taking a look at the last cost being in the month of February, he must mail the rent increase to the tenants in February giving the tenant 30 days notice, the month of March, to make his decision and then 60 days notice for the purpose of signing the lease. So his rent now starts on June 1st. Therefore, gentlemen, we have 11 months in this period plus nine months so it gives us in fact 20 months, not 12 months but 20 months.

Now projecting it a little further, as a matter of fact, where the rent starts in July, we have to go back to the month of March where the landlord has to make his decisions as to how much he's going to charge. He does so; he sends out the information; the rent is charged as of that date and so he's got ten months in the year of 1974, 12 months in 1974 plus another nine months in 1976 giving him a total of 31 months over which he can distribute his ten percent. Actually Page 6, as you follow through, takes us to the graph attached.

This also points out and confirms in our case Mr. Sidney Green's statement according to the Winnipeg Free Press of March 26, 1976, that the 2 percent is not the return of the owners' equity based on cash equity injected by the landlords. Rather there was no 2 percent or \$2 out of \$100 income remaining with the landlord as return on equity. But, in fact, the landlords took from other income and savings to pay for the losses sustained with no return on the injected equity, not even taking into account the equity based on the fair market value which, I understand, is the case if an owner who passes away in Manitoba and leaves the apartment block to his widow. The fair market value is based on the value of that block prior to the person's death for the purpose of calculating succession duty.

I further understand that if the cash equity injected or the cash equity obtained by selling the blocks were to be invested into bonds, the first \$10,000 invested with the interest rate being 10 percent would come to investors tax free due to federal legislation. Noting that upon an investor's death, succession duty is based on fair market value therefor the equity of the owner for the purpose of calculating interest on owner's equity should be allowed.

Recommendation: That appraisals be made by an accepted agency approved by the Provincial Government and this be done annually if desired by the landlord at the landlord's expense starting October 1, 1976. The appraisal less mortgages be considered owner's equity or equity actually injected by owners due to purchase. This equity be considered for the purpose of calculating Federal Government fund rate of interest and to be passed through to tenant. If the landlord had had invested the same funds in bonds, he would not have had to spend the moneys on appraisals.

Note: A matter of interest and confirmation of facts is that if a rollback would apply as introduced in Bill 19 without amendments, the income of any one year less the following year's expenses gives you the same results as a rollback, in my opinion.

Also please note that the above figures are based on year-end net equity after year's operating loss has been deducted from landlord's equity. Therefore instead of an income on the investment, it has left the landlord with a loss and no return on injected equity let alone a return on a fair market value equity.

Further, no cash reserve has been set aside for replacement of washers and dryers, fridges, ranges, air conditioners, repainting of public areas inside and outside, carpeting of public areas and inside suites, roof, doors in public areas and re-caulking of windows outside, etc. Nor has any cash reserve been set aside for increases in mortgage interest rates on term mortgages.

(MR. WARKENTIN cont'd)

Nevertheless owners in three blocks have had to scrap the washers and dryers due to no funds being available from operations and have had to go to rental units. This block here is roughly around six years old and there was no funds available to replace the units that were scrapped. They were General Electric units to start out with and they were purchased new.

It should also be pointed out that the Federal Government's accepted rate of depreciation on buildings equal the deterioration of buildings; thereafter, major repairs and renovations most often have to be made to buildings. Furthermore an investment on a losing proposition does not appreciate in years but generally sells for less than the depreciated value. Example: A hotel in Winnipeg is in the process of being sold for approximately \$1.3 million yet about two years ago it was valued at approximately \$5 million, the value of the purchase plus the renovations.

In a nutshell: We, as landlords, have been subsidizing the tenants from day one. We, as landlords, are taking savings and other earnings to pay for losses sustained as landlords. We, as landlords, have not been getting a fair return for our work (savings invested). Bill 19 as introduced would take away ownership and/or properties from individuals. Bill 19 as introduced would legislate unfair controls and thus discriminate against those who have in times past invested their savings in properties that due to low and competitive rents created losses for the investors. The government now says, forget the previous loss and continue to operate at a loss; the tenant who has profited by the investors' loss is to continue to profit at the investors' expense. And, in many cases where the same tenant was supported by the government because the government did not intervene in collecting his 20 percent or 30 percent increases in the twelve months, using those same funds to only pay his rent that was below the investors' costs. That to me is government open discrimination. There is no doubt in my mind that this will lead to a lot of personal bankruptcies due to operating losses being in excess of the investors' savings or a combination of their savings and other income.

Deterioration of apartment blocks will result. Service trades will not be obtainable. Supply delivery will be cut off due to no funds being available to cover costs of operation and payment of same. All blocks with electric heat, the hydro may have to be cut off where the landlord is unable to pay the bills. Water may be shut off as well. Apartment blocks may have to be sold for non-payment of taxes, resulting in a personal loss for investors and a gain for large mortgage companies.

In conclusion, I would strongly recommend the following:

Effective Date: That the effective date be October 1, 1975, tying in with the Federal Anti-Inflation program, but due to the majority of tenancy agreements coming due on the first of the month, October 1, 1975 should be considered.

Base Rent: Base rent should be established as follows: (1) Rents advertised effective October 1, 1975; or (2) Rents on the majority of tenancy agreements signed effective October 1, 1975.

Control and Self-Destruction: That the rent control legislation be self-destructive paralleled with the Federal Anti-Inflation program.

Tenants Information and Government Controls: That the Provincial Government during the rental control period (1) advertise in the local newspapers with a clipping to be mailed in by tenants who are claiming being "gouged" by the landlords should this ever occur, giving the tenant protection by the Provincial Government; or (2) provide such forms and make it compulsory to have these forms displayed in public areas within the apartment blocks for the tenant's protection and use.

Appeal: That the landlords have a right to appeal their case before a Rent Control Committee; in effect to verify the costs and justify the rent increases or pay back the "gouged" rent to tenants.

Rent Increase Control: Floating increase rather than fixed based on the following: (1) Pass through all costs including: caretaker salaries, cleaning wages, and labour burdens; advertising; rental agencies' commissions; legal accounting fees; stationery; insurance; maintenance and repair; operating loan interest; cablevision; all utilities; all interest on mortgages (paid out); all interest on owners' injected equity or appraised equity at the federal bond rate of interest; 5 percent on 12-months tenancy agreement base rent should be added as expense allowing for replacement cost. This works out to

(MR. WARKENTIN cont'd). . . . \$120 a month, or \$10.00 a suite per month.

Depreciation on building should be allowed at the Federal Government rate of 5 percent on the diminishing balance.

Reasons: (1) Any building has its useful life which must be taken into account for sound business practice as due to a changing world after the building has been totally depreciated you may face the following: (a) No resale value; (b) Even a cost to demolish same.

(2) Same principle would apply should the building be rented by a company from private investors or vice versa, the total cost of the building amortized over the expected life span of the building plus interest thereon, etc.

All previous year's losses to October 1, 1975, be amortized over a period of 10 years including interest thereon.

NOTE: Depreciation on appliances or furnishings should not be passed through as cost as this is recovered by way of replacement cost (see above).

That the base rent as stated earlier be based on the advertised or tenancy agreement signed for the month of October 1, 1975, and that no rollback be legislated and that as a basis of rent increase 20 percent be allowed for the purpose of covering pass through costs based on base building rent as of October 1, 1975, starting on or within 30 days after 12 months of lease having been in force, the tenants may request an inquiry as well as the landlord making an appeal to the Rent Control Committee to defend same. And if the Rent Control Committee found that the approved pass through costs noted above were exceeded, the "gouged" rent must then be paid back to tenant within 15 days for the past twelve months.

OR, the alternative: To leave things as they are, induce investors to help develop apartment accommodations, flood the market and have supply and demand seek its course, which would enhance the Federal Government program where professional investors may again use the tax write-off for which the Federal Government saw the need; however, the investors shied away due to Provincial Government's indecisions or unreasonable rent controls in force.

In addition to the foregoing enclosed is a chartered accountants pro forma statement which is self-explanatory. However, we wish to point out the tremendous loss that will occur as well as not allowing for the various depreciation and a return on the owners' equity, etc.

I thank you for your kind attention.

MR. CHAIRMAN: Thank you, Mr. Warkentin. There may be some questions. Mr. Craik.

MR. CRAIK: Well, Mr. Warkentin, you have a very complete brief here and you've gone to a lot of trouble and some of the things you've added here will be useful to look at in summarizing the briefs that have been presented.

One question, on your tables for your blocks under general expenses, maybe you mentioned this and I may have missed it, but under your general expenses do you have anything in there in the way, any principal repayment in that?

MR. WARKENTIN: No, we do not.

MR. CRAIK: Any capital cost allowance?

MR. WARKENTIN: No, we do not.

MR. CRAIK: Your losses you show on here then are before taking any capital cost allowance.

MR. WARKENTIN: That's right.

MR. CRAIK: How can you, do you have a management fee in that general?

MR. WARKENTIN: We have commissions to the rental agencies that's all, because the blocks are not managed by individuals.

MR. CRAIK: Are you managing your blocks as such, do you have a separate company that manages them?

MR. WARKENTIN: Yes, there is a company that's managing these blocks.

MR. CRAIK: Yes. And their management fee is included in there as a general expense?

MR. WARKENTIN: That's right.

MR. CRAIK: Well presumably it's owned by your same group or . . .

MR. WARKENTIN: No. The managing company is not owned by the same people as own the blocks, no. There are some, yes, some owners in the rental agency but the majority are not part of the . . .

MR. CRAIK: Why would your investors then go along with you running losses for three years in a row?

MR. WARKENTIN: Well I think I said it at the outset as to what the upstart was of the whole thing and although we had good investments but it turned out to be the wrong time.

MR. CRAIK: You have pretty substantial losses in, for instance, Block 3, you've got a pretty heavy accumulated loss all right through there.

MR. WARKENTIN: That's right. I should point out these are new blocks and I think they're meeting the standards of our competitors.

MR. CRAIK: It's competition that keeps you in that position?

MR. WARKENTIN: That's right.

MR. CRAIK: Or that has kept you in that position up until now?

MR. WARKENTIN: That's right.

MR. CRAIK: Do you subscribe to the statements from CMHC that there's less than 2 percent vacancy rate in total?

MR. WARKENTIN: I think right now there's about 2 percent or less, yes.

MR. CRAIK: Some of the block owners that have been forced indicated that they thought the rate is substantially higher than that.

MR. WARKENTIN: This may be in some cases. We are not experiencing it at the moment but we have experienced greater some time ago, greater vacancies.

MR. CRAIK: That's all I have.

MR. CHAIRMAN: Any further questions? Mr. Dillen.

MR. DILLEN: I want to go back to this Block 3 here where you seem to . . . Do I take it from this report here then that in 1971 - if you'll refer back to Page 5 - that the block was just opened in '75 and that's why there was a higher loss than in the previous, than in the ensuing years?

MR. WARKENTIN: In '71.

MR. DILLEN; '71?

MR. WARKENTIN: Yes. Now I'm only going by what has been prepared here but it would appear that that's the year it was opened, because of our rent income as versus our expenses.

MR. DILLEN: So you had half as many tenants in there in 1971 as you had in 1972 based on those figures.

MR. WARKENTIN: It would appear that way, yes.

MR. DILLEN: Well the member here says no, no, no. It appears from the rental income that in 1971 there was half as many tenants in the block as there was in 1972. That's what it appears to me, if you only get half the income you only have half the tenants. So I would assume that the \$58,000 that was received in income was insufficient to meet the mortgage for that year. Is that . . .

MR. WARKENTIN: Yes, I believe that's fair to . . .

MR. DILLEN: You haven't got a breakdown though of the cost of that block?

MR. WARKENTIN: No, as I say, the statements are open to the government's inspection.

MR. DILLEN: Oh well, I can't proceed then.

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

MR. WARKENTIN: Thank you.

MR. CHAIRMAN: Shirley Williams Fowler. Mrs. Anne Katz.

MRS. ANNE KATZ: Good evening, Mr. Chairman and gentlemen. It's late; I'm a little nervous. I am a landlord by virtue of the fact that I lost my husband August 22nd of last year. By the way, I do not have any cockroaches or mice in my apartments. We employ Riess Exterminators on a yearly basis to make sure that our apartments are clean. I was once told by a very clever man, Rabbi Dr. Abraham Kravetz that people will talk if you do and they will talk if you don't. It goes against my grain, if I keep quiet I will never be able to live with myself.

(MRS. KATZ cont'd)

I own 70 units and four respective suites or apartment buildings, and when my husband's estate will be settled, I will probably own 20. I have raised my rents as of October 1, 1975, 15 percent, some 20, some even 30, or \$30.00, I should say percent, where I raised my rent \$30.00 the rent is now \$130.00. I maintain clean well-kept apartments; my tenants have good warm homes, but I had to raise my rents to keep up with rising costs.

I didn't bring any figures so you're not going to be able to question me on them. My husband worked hard and bought these properties. Now no way am I going to use other incomes to subsidize the rental apartments. If my husband was clever enough to buy when he did and consequently provided me with an income, I don't intend, gentlemen, to let anybody take my income away from me. As long as I don't take anything away from anybody, I don't steal; I have not committed murder; I am only being as best as I know how, a business woman who is trying very hard to maintain what was left to her. You gentlemen had better examine what you're trying to do to the people who are providing housing.

At one point several years ago my husband wrote a letter to somebody in the government's department who looks after housing and offered to sell one of his apartments. He was thanked very kindly and was told that if in the future the government was interested, they would contact him. All I have left now are the comforts that my husband provided for me, and I will do my best to see that they are not corroded away. If people make excessive profits the government takes it away in the form of taxes, and where would our government get their money if they restrict the private sector's ambitions and resourcefulness and initiative. I will not return rents, at least I hope I won't have to. I will continue to maintain my buildings only if my income warrants my capability to do so. That is about all I have to say. Thank you.

MR. CHAIRMAN: Thank you, Mrs. Katz. There may be some questions some of the members of the committee may wish to ask. Hearing none, thank you very much.

MRS. KATZ. Thank you.

MR. CHAIRMAN: That takes us through the first run on the list of delegations. Tomorrow evening, we'll start again with number two on the original list: Robert Cheyne, Gerhard Janzen, Mr. Thiessen, Mr. Sures, Mr. Brousseau, Mr. Robbins, Mr. Malcolm (I understand Mr. Malcolm will not be here), Mr. Foster, Mr. Ben Mandell, Mr. Sam Linhart, Marjorie W. Muir, Mr. Sidney Silverman, Bayview Homes Limited, Mr. & Mrs. Michael Furby, Professor Edith Nickel. I think I have given you enough names, there are still more to come but I would suggest that if any of these people are known to members of the delegation, that you tell them that they'll be on tap tomorrow night. Committee rise.

* * * * *

BRIEFS presented but not read

The attached article from the Tribune states exactly what the Smith Agency advised me would be the minimal increase in costs for running apartment blocks for this year of 1976 - 20.9%. No one ever pays a \$20.00 debt with a \$10.00 bill.

My yearly share, which varies considerably from year to year, would be drastically reduced if they are going to have to repay the 10 percent of the 20 percent increase in rents and carry on the remainder of this year losing the amount necessary to pay the increases, which, by the way, may increase even more.

I inherited a very few shares from my hard-working father which helps me to live modestly, and I feel I am very fortunate to have it. Twenty years of working as an R.N. in hospitals here left me without a cent of pension of any kind.

There is serious doubt in my mind as to whether I should be made to help carry the burden of increased costs for tenants who, if working, must be making more money than I ever did, and, if not, most pensioners are doing fairly well.

You are all aware that older blocks still must pay the high cost of maintenance of any kind and if increases are kept below what is necessary, then repairs will suffer too.

This will probably have little or no impact on you but I felt like voicing my opinion. Sincerely, Miss K. Bowyer.

BRIEFS presented but not read

Re: Proposed Legislation for Rent Controls. I am the owner of an 11-suite apartment block in Fort Rouge. I'm a widow. My husband, who died some years ago, was uninsurable and so he tried to provide for me and our three children by leaving us revenue-bearing property. Since your proposed legislation was reported in the paper, I have been doing some calculating.

My leases commenced September 1, 1975 so I will have no rebate to make for July and August but I will have \$1,172 to rebate for the period September 1, 1975 to April 30, 1976. This amounts to \$146.56 per month. From September 1, 1975 to February 1976 my cash flow amounted to \$458 per month. My cash flow from January to August of 1975 was next to nothing because the 10 percent increase in rents in the fall of 1974 was not sufficient to offset increases in costs over that period. I did what your government advocated building owner to do - I tried to recoup some of my 1974-75 losses in a more realistic approach to rent increases from the fall of 1975. By doing so I was able to meet my increased costs and to bring the return on my investment to approximately 3 percent per annum. If I am forced to rebate \$146.56 per month, I will be left with \$311 income per month from the block which would amount to only 2 percent return on my investment.

If the government saw fit to adjust the rollback date from July 1, 1975 to October 1975 I think I could exist for the balance of the primary term with no increase. I believe that my tenants would feel they were being unfair to me if they knew that by accepting a rebate as outlined in your legislature, they would be reducing my income by a third, especially at a time when our bus drivers are on strike because they will not accept a 10 percent increase. (Do you remember that about July 1975 the nurses in this province got a 50 percent increase?)

I agree we should stop inflation and I am willing to do my part but I don't believe anyone should be asked (and much less legislated) to take a 33 percent cut in their income.

When it is like this for me, it must be the same for many small owners who rely on their rental income to live on. I would be willing, though reluctant, to accept a rebate based on October but not back to July of 1975.

I would have preferred to have presented my petition in person but I have been called out of town and will not be here to voice my grievance.

Thanking you for your consideration, Sincerely, Marjorie M. Muir.

* * * * *

I am writing in reference to the proposed rent control legislation in Manitoba. Three aspects of this proposed legislation are extremely inequitable and concern me deeply both as a landlord and as a citizen. First, I am distressed by the retroactive nature of the legislation - especially since it predates all other price control legislation in Manitoba and Canada. July 1st is a ridiculous date since with the required three months notice of rent increases the legislation would reverse decisions made almost a year ago. I can understand the need for retroactive legislation that attempts to eliminate the incentive to raise rents just before controls are introduced, but it must be recognized that rent increases already require three months advance notice.

My second concern is with the inequity of a situation where the government limits rental increases while refusing to similarly restrict cost increases directly under government control, i.e., property taxes and utility costs. I own a small older building with seven suites. From 1974 to 1975, my property taxes rose 20.3 percent while my utilities bills rose 17.4 percent, and these factors alone account for two-thirds of my total operating costs and absorb almost 40 percent of my gross revenues. The 10 percent limit on rent increases is disastrous in light of the cost increases that the governments of Winnipeg and Manitoba have seen fit to impose, or through their regulatory agencies, have allowed to be imposed upon us. In my case, the problem is further exacerbated by the fact that I have a smaller older building and the proposed controls do not recognize that there are economies of scale in providing accommodation - instead my older seven suiter is treated the same as a new 70 suiter. Yet the operating costs in a large building are a much

smaller percentage of the gross rent.

The third aspect of the proposed legislation that is inequitable arises from the fact that controls are placed on rates of increase regardless of rent levels. Those landlords who attempted to maintain rents at a reasonable level (I currently charge \$190 - \$195 including utilities for a 6-room suite with three bedrooms, a dining room, and wood-burning fireplace) are now really being shafted. In 1975, I earned a net return of \$300 on a building in which I have \$35,000 of equity. The proposed legislation guarantees I'll continue to lose money relative to the rate of return on a savings account in a bank. Why should I risk my capital for a 1 percent return on my money? This legislation would leave me only two choices: Sell, if anyone is crazy enough to buy; or let the building deteriorate to save the \$1,800 to \$2,000 a year I spend on redecorating, maintenance and repairs.

I would like to suggest that the legislation be made retroactive to October 14 - which still controls rents determined as far back as August 14, 1975 - long before the Federal guidelines were implemented. Secondly, property tax and utility increases should also be controlled at the 10 to 14 percent level or else rent increases be allowed at 10 percent plus the actual increases on taxes and utilities costs. Further, the rate of increase should be more flexible so as to reflect the level of rents, the age and the size of the building involved.

Finally, I would like to point out what should be obvious: that inequitable rent controls will create problems far worse than those the controls were designed to solve. I sincerely hope that this legislation does not pass in its current form.

Yours truly, Marsha Laub

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Kelsey Apartments Ltd., Thompson Manitoba

Annual Increase in Costs of Operation from 1973 to 1976

			Increase to 1976	%
Realty Tax	1973	32,999		
	1976	52,000	19,001	57.6%
Heat	1973	39,481		
	1976	54,000	14,519	31.7%
Power	1973	6,435		
	1976	9,500	3,065	47.6%
Insurance	1973	2,567		
	1976	7,852	5,285	205.8%
Janitors	1973	30,610		
	1976	39,608	8,998	29.4%
Building Maintenance	1973	27,758		
	1976	35,200	7,442	26.8%
INCREASE			58,310	
Percentage increase of costs over 1973			40.0%	

In order to meet estimated operating expenses we will require an increase over present rates of 10 percent to meet operating costs and payments required on mortgages.

The eight 19-suite apartments were built in 1964 at the request of International Nickel Co. to help relieve the acute housing shortage. INCO did not contribute to the costs of construction or guarantee any occupancy.

Due to a vacancy rate of approximately 34 percent during 1973-74-75, it was impossible to raise rental rates or restore charges for parking or heater plugs until mid-summer 1975 when we raised our rents ten percent effective September 1st, but were unable to restore car parking charges.

We contemplated a further increase in early 1976 to recover some of the previous losses and to meet the authorized increase in service charges for 1976.