



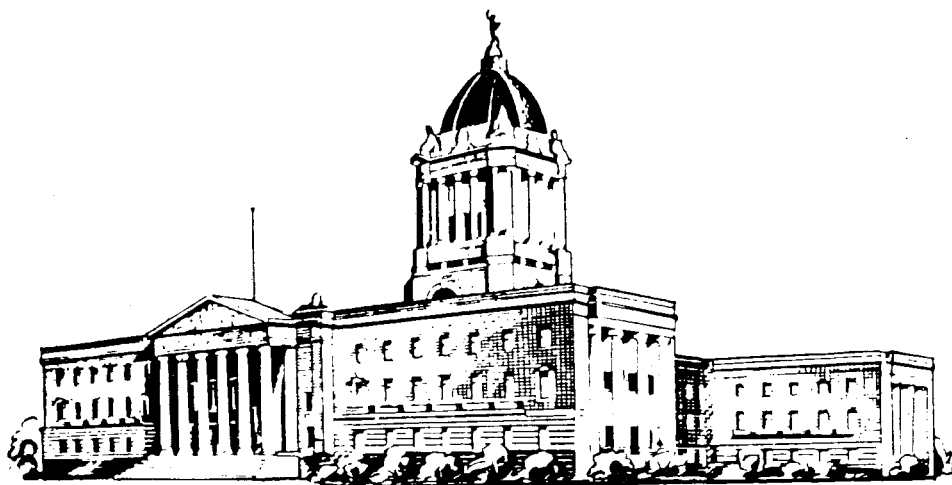
Legislative Assembly of Manitoba

HEARINGS OF THE STANDING COMMITTEE

ON

LAW AMENDMENTS

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



8:00 p.m., Tuesday, April 6, 1976.

THE LEGISLATIVE ASSEMBLY OF MANITOBA
STANDING COMMITTEE ON LAW AMENDMENTS
8 p.m., Tuesday, April 6, 1976

CHAIRMAN: Mr. William Jenkins.

MR. CHAIRMAN: Order please. Mr. Robert Cheyne, Property Investors Manager Confederation Life. Is Robert Cheyne here? Mr. Henry Thiessen. Mr. R. Sures. You can proceed any time you are ready, Mr. Sures.

MR. RICHARD SURES: My name is Richard Sures, and the name of my company is R. Sures and Associates Limited, and I have developed, constructed and managed five apartment blocks in Charleswood and Selkirk. This is, relatively speaking, a fairly small management operation. It's really myself and some part-time help, and it's management which I feel has got a fair amount of personal input in it. In blocks that I've developed these I've retained partial ownership and the balance has been syndicated to investors.

I've taken one of my developments, consisting of two-29 suite blocks in Charleswood at 211 Royal Road and 3500 Roblin Boulevard as a case history and I have circulated to each of you the actual year-end statement that is provided to each of my investors. Nothing has been changed or deleted from the statement, I've merely added the rents that were charged during the period and the return in equity. As you will note, if you've had chance to quickly peruse the statement, I make money; the blocks make money and the investors make money. And in this particular block, the block has made money from day one, shown a consistent return on equity.

If I could direct your attention to the second sheet in the submission which is the calendar year of 1975, you'll notice that the retained earnings at the end of the period in the bottom right-hand corner is \$3,461 and the retained earnings at the beginning of the period, which doesn't show there, is \$2,635, which gave an \$826 retained earning for the period in addition to \$10,920 which was returned to investors; \$10,920 represented a 13 percent return on invested equity. I believe that I have one advantage that makes this return somewhat higher than many of the other property management firms or owners you may have heard from. I'm allowed by the particular mortgage company I deal with to pay my own realty taxes and I'm not required to take 1/12th of the realty taxes and put it in the bank account which would give four percent; and the amount of interest on the realty tax account over a period of a year amounted to \$1,828. This is part of the net \$826 for the period. Out of these retained earnings I must pay for interest on security deposits and somehow have enough left to act as a reserve for replacements.

You will note that I have also given you a history of rents charged to Century Place as well as a percentage increase each year from day one. You'll be interested to know that the company has a five-year mortgage at 9 3/4 percent which matures October 1976. I am projecting that it will be renewed at 12 percent. This increase in debt service alone will necessitate an average increase of \$14.20 per suite per month. Put another way, the projected increase of \$24 for a one-bedroom suite from August 1975 to August 1976 minus the \$14 for increase in debt service will leave me \$10 to pay for increased operating expenses, or approximately five percent.

In August of 1975, I was one of the few developers and property managers who instituted a tax escalation clause in medium rentals. Tax escalation in Winnipeg has been used in some luxury apartments on Wellington Crescent, but I started it to my knowledge for the first time in medium price accommodations. And what I did was that in August of - actually in approximately March or April of 1975 when I sent new leases out with a 90-day period, I informed tenants that I was estimating that taxes was going to amount to X number of dollars and that I was including this increase in their rent. The tax escalation clause that was inserted in their lease was merely if I guessed high or low. In other words, if I guessed high, they would have a refund coming and if I guessed low, they would pay the overage based on the square footage of their suite in proportion to the total block. So they were not responsible in terms of exposure to a large number of dollars. They were only responsible for the difference between my

(MR. SURES cont'd) estimate and what actual taxes turned out. And you may be interested to know that according to the reports that have been recently published in the newspaper about what the Assiniboine South tax rate is going to be for 1976, each of my tenants should be getting a refund somewhere between \$35 to \$40.

I bring up tax escalation and my experience with it for one particular reason . I feel that it is a very fair means of establishing rent, fair to the landlord, fair to the tenant and fair to the economy. And at the present time a new tax escalation clause in leases is illegal; it is not permitted according to the Landlord and Tenant's Act. And I would strongly suggest, and in your deliberations even though your prime consideration is the Rent Stabilization Bill, that you give serious thought to the possibility of amending the Landlord and Tenant's Act to allow tax escalation; and not only tax escalation but maintenance escalation. When I sent out my leases with tax escalation, I gave the tenants the total operating picture, including management, including return on equity, including debt service and each particular expense item. I gave it to them for a two-year period; I showed them why rents had to be increased, I showed them where their rent-dollar was going. I feel that a more liberal use of maintenance and tax escalation and the disclosure of information by the landlord to the tenant that this implies and necessitates, is a very strong step in the direction of getting stability in the rental housing market.

I've seen very little effort on the part of the Federal and Provincial Government to control taxes, utilities, and interest rates, the items that I act as a funnel for, that I really have no control over, and until this is done in my opinion it is impractical and unfair to institute a massive program of rent stabilization. As long as these items make up such a large percentage of our rent dollar, I cannot see how we can control the rent dollar when we have no control over what makes it up. I feel that as long as, for whatever reasons, and I don't necessarily dispute the validity of whether hydro can be controlled or whether the province should control municipal taxes or whether the Federal Government should control interest rates, I'm not saying that it necessarily can be done, or should be done, but as long as it isn't done, I feel that all that this committee can do basically, is to identify rent gougers or people who are responsible for larger rent increases - and I define large rent increases as taking the summer of 1975 as the base, as something between 20 to 25 percent, as the most meaningful thing that can be done. I think that it's the only thing I can see that can be done administratively.

I know that there is an amendment in this Act at the present time which is allowing appeals to the Rent Review Board beyond the ten percent from day one. If there is no further amendments, just that amendment goes through, from my information - I've been a reasonably active member of the building managers and HUDAM and sat in with some of the Manitoba Landlords Association meetings- it would appear to my knowledge that at least 90 to 95 percent of all landlords have charged approximately a 20 percent rent increase in the summer of 1975, and all of them are going to adopt the appeal procedure, regardless of how the appeal procedure works, even if you say to them, if you want to appeal we may cut you down below ten percent, which you may think could be a deterrent, I don't believe it. I think as soon as you say to people the only way you can increase your rent over ten percent is to go to the Rent Review Board, that Rent Review Board will be completely inundated with appeals, it will be impossible to operate administratively. For that reason I feel that as a first step in order to get appeals in the administrative problems done in manageable proportions and to get at the real source of rent increases that have had major deteriorious effects on tenants, that that rent review procedure should be applied strictly over the 20 percent limit. That's the end of my presentation. Thank you.

MR. CHAIRMAN: Thank you Mr. Sures. There may be some questions some members of the committee may wish to ask. Mr. Craik.

MR. CRAIK: Mr. Sures, you say here that you had drafted in a tax escalation clause with your tenants, had an agreement with them . . .

MR. SURES: In the lease.

MR. CRAIK: . . . in the lease in spite of the fact it's not acknowledged by or is in violation of the Landlord . . .

MR. SURES: No. No. Excuse me. Let me correct that. When this was put into force in approximately March or April of 1975, it was legal. It was made illegal as of October 1st, 1975 by an amendment to the Landlord and Tenant Act, and in speaking to the people that administrate the Landlord and Tenant Act, they agreed that any tax escalation clause that went into effect before October 1st, 1975 would be legal for its duration.

MR. CRAIK: Was that done by regulation? There was no legislation passed in October of 1975.

MR. SURES: I'm sorry, I can't answer the question. All I can say to you is that we had a meeting with Mr. Mason, Mr. Locke and we were told that as of October 1st, 1975, tax escalation was no longer legal.

MR. CRAIK: This tax escalation is very familiar in commercial leases . . .

MR. SURES: Certainly is.

MR. CRAIK: . . . as taxes and utilities and the other uncontrollable expenses. Do you know, like since you've experimented with this, would you know that if you took taxes and utilities what the percentage increase would be on those items alone that are normal to commercial leases, taxes, hydro, gas . . .

MR. SURES: No, I would suggest to you that the figures contained in these sheets, if I had a calculator handy, if you took your light and power figure and fuel and taxes for calendar '75 and compared it to calendar '74, that would give you a correct indication for that period of time. One of the difficulties with any type of financial statement is that most financial statements are based on a January 1st to December 31st year and most rent pro formas and leases start off on July 1st which is when the new year's taxes really come into effect and go to the following June. But the answer to your question, for the calendar year you could add those together and that would reflect it.

MR. CRAIK: What I'm really asking is if you have any idea of what percentage increase would have been dictated by those items that are handed on to you which would be called I suppose pass through items - taxes, gas, electricity, water.

MR. SURES: Well to be honest with you, the only item that I show on my disbursement column that I don't consider a pass through is repairs and decorating, caretaking and legal and audit.

MR. CRAIK: Well I suppose we could calculate it by taking your summary that you show on your second page and take fuel and heating, add the increase there, light, power, water, insurance, I suppose, and mortgage interest which would really be your uncontrollable expenses.

MR. SURES: Correct.

MR. CRAIK: You say that 95 percent or 90 to 95 percent, would have applied in the summer of 1975 for about a 20 percent increase?

MR. SURES: I believe so, to the best of my knowledge, from talking to a fairly wide cross-section of property managers and developers.

MR. CRAIK: It appears that we have a pretty large percentage that are duplex owners and small building owners that are appearing before the committee, and there is some indication that represents there along about half of your rental accommodations. Would that be included in your . . . ?

MR. SURES: No, I have not really been in contact with duplex and house owners. These are usually individual people who own and manage them, a large number of small people. My remarks are primarily directed to apartment blocks.

MR. CRAIK: I think that's all I have, Mr. Chairman.

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

Mr. Michael Brousseau.

MR. MICHAEL BROUSSEAU: I have no copies of my brief for you.

MR. CHAIRMAN: Fine, it's been recorded anyway, so the members will be able to read it later. Would you proceed, Mr. Brousseau.

MR. BROUSSEAU: I am an apartment owner and a landlord. The building in question is located on Berry Street in the St. Boniface area. I request that Bill 19 be amended to exempt tenancies of rental premises which may have been occupied while under construction or renovation prior to January 1976, and also your ruling on rents affecting renovated or proposed renovated existing multi-family dwellings.

In May of 1974 I purchased rental property for the express purpose of rebuilding it to provide a better standard of multi-family accommodation in a two-year project. I have invested considerable moneys and in the course of construction suffered the increasing costs of labour and materials, costs which are up 45 percent over original estimates. I intend to establish an equitable rental property as a sound real estate investment.

This building is presently occupied and still under construction with major

(MR. BROUSSEAU cont'd) renovations being provided. The building's operations since commencement of construction has had a negative cash flow. Ever increasing operating costs are to blame. My insurance is up 400 percent but of course it's a different building since last year. Many changes are taking place. My utilities and other operating costs are up considerably. Upon completion I will have provided comfortably efficient, modern, carpeted, well-decorated and newly equipped, self-contained one and two bedroom, five-room apartment town houses at an average rent of less than \$200, and I do believe my tenants intend to stay.

You see it would be virtually impossible to roll back the construction or suspend any further renovations. I require the income the building can presently provide at current rents to meet expenses. A rollback in rents could only compound the loss I am taking now, since the tenants have only been paying for what they were getting the month they paid the rent. The initial purchase and investment, the cost of construction and renovation and the short-term loss form the sum total of my investment. The project should be completed this summer, some suites sooner than others. All my tenants have been advised of the resultant rent, based on today's costs of operation, should they wish to remain after completion. It would seem I involved myself in this project either a year too soon or a year too late, and, in any event permitted the building to be occupied at reduced rents during construction.

I request the legislation be amended to exempt cases such as this.

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

MR. AXWORTHY: Mr. Chairman, I think Mr. Brousseau introduces a particular point which bears looking at, and that is the question of landlords or owners who have undertaken renovations during the period under which this bill will apply. And I wonder, Mr. Brousseau, if you could perhaps give us a little bit more indication of what the additional cost per unit would be as a result of the renovation itself. What are we talking about, let's say, in dollar terms or in percentage terms per unit that would be if the renovations or the cost were to be allowed to be passed through. What are we talking about in the way of dollars?

MR. BROUSSEAU: About \$8,000 a unit.

MR. AXWORTHY: Eight thousand per unit for the renovations themselves. What would that translate into in terms of a monthly rent. Could you do a quick figuring in your head?

MR. BROUSSEAU: The increase? A hundred dollars a month, on the average.

MR. AXWORTHY: Would you intend then, once the renovations are complete, to charge that full extra \$100 or would you pro-rate it over a period of time and try to recapture the costs over how long a period, extended period of time?

MR. BROUSSEAU: Well the costs are over five and eight years depending on where the costs relate, and a portion of the costs and the interest on the money that it cost to make the repairs makes up the hundred dollars.

MR. AXWORTHY: Would you say that in this case then of these new renovated units that substantially you're really providing a new unit, in effect, but you're taking a building or units that were, I assume, in fairly poor shape or at least relatively low standard housing and have brought them up to a much higher standard of housing. Is that in effect what you've done?

MR. BROUSSEAU: Yes, that's what I've done.

MR. AXWORTHY: So, in effect, you've really provided new units of housing during that period.

MR. BROUSSEAU: Yes, I have.

MR. AXWORTHY: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Boyce.

MR. BOYCE: In trying to be equitable in situations such as this, have you a suggestion, Mr. Brousseau, as to, you know, some way to view it. This is about, you say, \$8,000 additional per unit that you're putting in additional?

MR. BROUSSEAU: Yes, on the average.

MR. BOYCE: What is the present day construction now, sixteen, eighteen, twenty thousand dollars a unit. What is it?

MR. BROUSSEAU: I missed your question.

MR. BOYCE: For new construction comparable . . .

MR. BROUSSEAU: Oh, for comparable, it would be, say fifteen to twenty thousand dollars.

MR. BOYCE: Your total cost, it will approximate that, won't it, with your initial purchase price and the rest of it?

MR. BROUSSEAU: Excuse me, I've missed your question again.

MR. BOYCE: Your total cost, once you've finished your renovations this coming summer and added it all up, you'll be capitalized at some figure.

MR. BROUSSEAU: Yes. And you want to know what that figure is?

MR. BOYCE: Well, it will be closer to 15,000 perhaps than the eight that you've just mentioned.

MR. BROUSSEAU: Something a little bit less, something a little bit less but close there to \$15,000. You must remember that I have not taken any money out of the building during the course of these operations, and the fact that it has earned some income at least. So I consider that if I didn't take anything out it's still there, so it's working. It's no different than if I had brought it from elsewhere and put it in, and I'm entitled to that money, and I'm entitled to that money as an investment and the interest on that money.

MR. BOYCE: What I'm getting at, you say you're too early or you're too late, I'm inclined to agree with you somewhat, that's why I'm trying to get some information from you to resolve my dilemma. You know, as I understand it the legislation is not going to apply to new construction, so that people that are caught in boxes such as yours, and doubtless you're not alone, is there some equitable way of approaching this?

MR. BROUSSEAU: The Act should then be amended to buildings of relatively new construction, on major renovation but occupied since January '76. See my case is that the building was occupied at a reduced rent prior to January '76. In fact it's been occupied at a rent of I don't know what, I didn't own the building since 1952.

MR. BOYCE: Which is a usual procedure even with new construction, because they rent suites as they're finishing construction, and they, too, rent suites lower. So I'm not arguing with you, I'm trying to understand your position, your dilemma. You're not suggesting that this type of construction be just holus bolus, considered new construction relative to the Act.

MR. BROUSSEAU: I think it should, relevant to the Act, I think it should be treated as new construction.

MR. BOYCE: Well this is what I'm trying to get at. Perhaps if I can ask the indulgence of the committee, Mr. Chairman. If a person for example, I'm a tenant and I have been spoiled rotten by landlords, if a person bought a block for \$50,000 and they put another \$50,000 into that block, is there some relationship between what a person purchased the block during the period you're talking about, and invested in it, that we could take into consideration relative to a modification of the terms?

MR. BROUSSEAU: Yes, that block you described is the equivalent of the similar block that could have been purchased for a \$100,000 without \$50,000 worth of renovations and the rents that it would bring in.

MR. BOYCE: I understand your dilemma. Thank you.

MR. CHAIRMAN: Any further questions from the committee? Hearing none, thank you, Mr. Brousseau. W. F. Robbins? Mr. Herbert A. Foster.

MR. H. A. FOSTER: Mr. Chairman, my name is Herb Foster, I represent Oldfield, Kirby and Gardner, and an associate of mine Mr. John Le Maistre, C.P.M., is in attendance and I think if you've any questions to ask between us we can answer them for you.

I would point out that our brief was prepared a couple of weeks ago. It was based on Bill 19 as it was printed and with your permission I will proceed with it.

MR. CHAIRMAN: Proceed please.

MR. FOSTER: The firm of Oldfield, Kirby and Gardner have been active in the real estate field in Winnipeg since 1881. We have operated with integrity and as a result have built an enviable reputation of which we are justifiably proud. We would like to go on record that we support the Government of Canada's anti-inflation plans as long as they are deemed necessary, and that we support the Government of Manitoba's plans in this regard as long as they are deemed necessary. We, therefore, support the concept

(MR. FOSTER cont'd) of rent controls as long as they are required, but not entirely as this proposed bill reads. We object to and would draw your attention to the following:

1. Section 2, subsection (2)(a)(b)(c) and (d): Regarding (a), we cannot agree that the Government of Canada or the Government of Manitoba or of a municipality or of any agency thereof should have the opportunity to have a properly balanced budget when this right is denied to the private citizen. Regarding (c) we cannot understand why subsection (i) does not read December 31, 1975 instead of January 1, 1976. With regard to (d) the same remark as (a) would apply.

2. Section 13, subsection (1) We cannot agree with the date of July 1, 1975, as a beginning date of this program because Mr. Turnbull stated that rent controls were necessary as a result of the Government of Canada's Wage and Price Controls Guideline which start October 14, 1975. And, we feel that this is the earliest date that this program should be implemented. Also, we would point out that tax notices are not issued until the latter part of May and depending on the mailing service of the City of Winnipeg and the whims of the postal workers sometimes are not delivered until the early part of June. In the event they arrived in May, and the landlord immediately updated his rental structure to take care of the increased taxes and other increases which received considerable publicity in the newspapers such as hydro, heating, oil or gas, and water, under the terms of the Landlords and Tenants Act, he could not implement these new rates for a period of 90 days which takes him into the month of September or October.

We do not feel that any refund should be required except in very unusual circumstances and that no refunds or rebates should be paid until the landlord has had the opportunity to present his case to a rent review officer or the Rent Stabilization Board. It is inconceivable to us how the 10 percent rental increase was arrived at when in 1975 taxes increased 20 percent, gas increased 50 percent, hydro 18 percent, etc., and 1976 increases appear to be of a similar percentage.

3. As the government is concerned with rent gouging, the government should enact legislation allowing them to audit the books and records of those owners which they feel are gouging and appropriately fine them. This would be a much simpler procedure and less expensive to the community and the province at large. We do not feel that a rental accommodation industry should be punished as a total group for the sins of a few.

4. Section 13, subsection (3). We would ask the question, what happens to money to previous tenants who have moved out and can't be located?

5. Section 14. The limitation on increases after September 1976, or any other date chosen by the Legislature, should be sufficient to cover increased costs.

6. Section 16,(1). Application for rent increases should be decided upon as speedily as possible as delays may impose a hardship on the applicant due to the rules and regulations of the Landlord and Tenants Act.

7. Section 29. In our opinion this section imposes a heavy burden on the new landlord and an expensive one if he has to take the old landlord to court to recover refunds or rebates.

8. That refinancing costs must be considered as an operating cost.

In conclusion, gentlemen, we respectfully request that serious consideration be given to allowing percentage increases at least consistent with the overall cost of living index. We are concerned that a reduction in rental revenue and the increases in expenses may force some landlords into bankruptcy or mortgage foreclosures as has been apparent in other cities with rent controls. Alternatively, landlords may just vacate their buildings shut off services and just carry the property by paying a reduced realty tax, thus reducing the housing supply on the market and defeating the interest of this proposed legislation. Since controls are apparently imminent, hopefully only for a short time, we trust that no large government bureaucracy will be created to administer the provisions of Bill 19.

We thank you for the privilege of submitting our opinion.

MR. CHAIRMAN: Thank you Mr. Foster. There may be some questions members of the committee may have. Hearing none, thank you, Mr. Foster. Mr. Ben Mandell.

MR. BEN MANDELL: Mr. Chairman, members of the Law Amendments Review Committee, MLAs and ladies and gentlemen. I am a school teacher and a landlord, and I have two apartment blocks containing a total of 37 apartments. Each apartment block

(MR. MANDELL cont'd) has a caretaker who is aware of the list of duties which I have assigned to him, and he does the best job that he can looking after his chores. Nevertheless, I keep a very close touch with both apartment blocks and should I see anything not done, I go ahead and do it myself knowing full well that the caretaker is a human being, just like you and I, and possibly his family commitments or whatever may have delayed any particular chore he should have done and so I step into the breach and get it done myself. Accordingly, I spend a good deal of time and many hours seeing that everything is in order and bring supplies to both blocks as necessary. I don't have to hire cats to eat the mice because for years I have had a yearly contract with a leading exterminator here in Winnipeg, and in fact I don't have any mice. My toilets all work wonderfully well, so that I don't require a honey bucket for any tenant. And should any tenant wish to see my yearly financial statement, I will gladly show him or her this financial statement if the same tenant will get his or her employer as well as the tenant's statement and show them to me.

Last night I sat and listened as three tenants told their stories and two things came to my mind. Number one, if conditions are as deplorable as they depicted them last night, why in the world are they staying put where they are rather than moving elsewhere. Secondly, I thought of all those conscientious landlords that have appeared before this committee and told this committee how hard they work to maintain their property in tip top shape after having invested all their savings into their property. As this committee is well aware, I'm sure, landlords can also tell of events where a small minority, thank God, of tenants not only are complainers but create unnecessary maintenance work for the landlord by their negligent and mischievous behaviour.

Allow me to go on and say that owning any rental accommodation today, greatly lacks the glitter and the glamour that an outsider thinks accompanies it. The workload is heavy; a certain segment of tenants are very mobile and don't live in the premises for too long a period of time as in years past, and the returns on the investment are minimal. And all this takes place with close supervision by the landlord and the spending of many hours to see that everything is running smoothly.

As a landlord, I have acted on many occasions with no remuneration as a marriage counsellor, a troubleshooter and a problem-solver for tenants. I don't mind, I take it all in stride, I know that I have accomplished my objective and I have healed the trouble spot in question.

Let me pass on to this committee a very important point that as a landlord of rental accommodation the financial remuneration with apartment blocks was never at any time much above that of the so-called no-headache investments such as bonds, debentures and so on. In fact, let me tell you, for many years people would buy apartment blocks hoping to make a small margin of profit and wind up ending with a loss which was then utilized as a write-off for their other source of income. Now, if this was a case in years past, how does one end up with a profit during this present period of inflation? The only way that I know whereby this can be accomplished is by the blood and sweat that a landlord today has to put in to keep his machine functioning smoothly.

One might ask then, if this is the case, why carry on? Well, I can see two things which make me carry on in spite of the adversities. First, regardless of what one's occupation is, should they like the work that they are doing, they will certainly not give up that line of work. If they did, we wouldn't have any garbage collectors, janitors or sewer diggers. Secondly, I feel very proud of the properties that I own, and I, above all, would not wish to part company with them.

I'd like to tell this committee that I have brought all my financial statements, they're sitting on the desk here for the years 1970 to 1975, and these I've brought for your thorough investigation in order to see for yourselves what margin of profit I've been operating on through the years. Secondly, I want to tell you that I am now charging \$140 for a two-bedroom apartment that contains a fireplace and a sun porch and if anyone thinks that is too much, either here in Manitoba or anywhere in Canada, I'll eat the shirt that's on my back right now. This rent of \$140 per month is such that I can hardly keep my head above water and fortunately for the fact that I am a school teacher and I'm able to subsidize today's costs of operations of my two apartment blocks, that prevents me from going into the red. Thirdly, may I say that the Prime Minister of

(MR. MANDELL cont'd) Canada in his speech before the nation on October 14, 1975, declared on this date that we must start on anti-inflation program . Premier Schreyer reiterated at least five times that restraints and controls must come into effect as of October 14, 1975, in order to stabilize the runaway economy of the country. The Premier of Manitoba thus agreed with most of the proposals of the Prime Minister with some reservation of a few proposals introduced at that time.

Now, two things come to the forefront at this point in time, namely October 14, 1975. First, inflation had already brought about sky-rocketing prices in consumer goods and services and I am sorry to say that I wish the Prime Minister would have introduced the anti-inflation program at least one year before October 14, 1975. Seeing that he didn't, the cost of everything that you can name without one exception had mushroomed beyond belief. Secondly, I, as a landlord, as well as other landlords were caught up in this sky-rocketing inflation. Surely it doesn't take much intelligence to figure out that these high costs would have to be passed on to the tenants if the investment of the landlord would be such so as to keep him out of the red.

Gentlemen, the landlord is no different than the government in having to adjust his rents in accordance with the prevailing times. Could any of the three levels of government prevent the increase of property taxes, either last year or this year? Could any of the three levels of government have prevented the higher cost of gas heat, either last year or this year? Could they have prevented the higher costs of hydro electricity, either last year or this year? Could they have prevented the higher costs of water and sewer maintenance, either last year or this year? Could they have prevented the higher costs of fire insurance, either last year or this year? Could they have prevented the higher costs of parts and services rendered in the fields of plumbing, heating, electrical work, carpentry and so on, last year or this year? No, they certainly could not prevent any or all these increases, and I can readily see where they couldn't because inflation was not wiped out in the bud when it first reared it's ugly head. Instead, the present Cabinet of Ministers of Manitoba, seeing that they couldn't stop any of the above increases, have lumped all these increased in property taxes, hydro, gas heat, water, fire insurance, tradesmen's parts and services rendered, into one neat bundle and handed them to that terrible man known as the landlord or that terrible woman known as the landlady.

Now, gentlemen, it takes simple arithmetic to figure out that one person, namely the landlord, cannot shoulder or absorb all these inflationary costs without passing them on to his consumer, namely the tenant. The landlord in this respect, is no different than the government in their actions. The government passed their increased costs on to the consumer and the landlord is doing exactly the same thing. Yet, unfortunately, there is no Bill 19 against the government but there sure is one against that dreadful monster known as the landlord.

Every landlord has to be on twenty-four hour call just like a doctor except that his net profit is peanuts compared to that of a doctor. I suggest then that perhaps all landlords should become doctors. The never-ending troubles that arise from windows that are broken, from furnaces that break down, from completely unexpected repair work of one sort or another, to the abuse and aggravation from only one bad tenant are things that are costly to the landlord in regards to his health as well as to his uncalled for and unexpected expenditures. In this regard, I would suggest that the government should set aside one day a year called "landlords day" in which the government toasts and decorates any individual who has the audacity and the guts to buy a piece of property for rental accommodation. This would be, in my opinion, much more appropriate than Bill 19.

Now let me say one more further important fact, and this is important as well. Whenever a landlord is blessed with a good tenant, the landlord would never, under any circumstances whatsoever, unless there was ample justification, approach this good tenant with a three months notice asking for an increase in rent. And the obvious reason for this, is that the landlord might very easily lose this good tenant, and thereby take his chances with replacing the good tenant with someone else who might not be quite so good, in fact, the new tenant might be exceptionally bad. Therefore, when a landlord seeks an increase in rent, I, for one - and I am certain this applies to the vast majority of landlords - must have exceptionally good reason because of inflationary increases in all areas before an increase is requested. I dread the thought of requesting an increase in rent from a good tenant because he could very well tell me that he could move elsewhere and thereby I would lose this good tenant. No way would I do this. I would much rather accept less rent from a good tenant than more rent from a bad tenant.

(MR. MANDELL cont'd)

Lastly, I bought an apartment block on August 1, 1974. This apartment block was very nice but in a rather neglected state. Accordingly, the rents were very low. A one-bedroom apartment may I say, rented for the unbelievable amount of \$78.50, and a two-bedroom apartment for \$110 and these were all under lease arrangements, with the leases terminating on September 30, 1975. Now, gentlemen, I want to tell you that I have high standards both as a school teacher and as a landlord and I, immediately after purchasing this apartment block, began to decorate, renovate and repair this apartment block to bring it up to my high standards. Within three months following my purchase of this apartment block, I noticed inflation rearing its ugly head. This would be about the time of October 15, 1974. There was no previous indication when I purchased the block that inflation was just around the corner. Accordingly, I spent a good sum of money and brought the block up to the condition where the tenants were amazed at what I had accomplished. Now once inflation hit us the way it did, I just couldn't charge the old rents and end up in the red. Thus, when the leases expired on September 30, 1975, I totalled my new increases in costs of taxes, insurance, gas heat, electricity, water and the spiralling cost of services in the fields of plumbing, heating, electricity, carpentry, etc., divided that total figure by the number of apartments in this block and came up with the reasonable figure of \$110 per month for a one-bedroom apartment and \$140 per month for a two-bedroom apartment which contains a fireplace and a sun porch. Now, what in the world, may I say, could be wrong with that assessment as I did it.

In summary of the above, may I state a few points:

1. Rents in Winnipeg are not high as compared with other cities across Canada. I have been told this many times by tenants who have rented apartments from me.

2. The anti-inflation program must start in all fairness to all and justifiably so, on the date when the Federal Government first announced it and the provinces later joined in with the Federal Government to combat inflation and this date is October 14, 1975 and no other date but this one, is the right one.

3. If all other costs from taxes to gas, to hydro, to water, to services rendered - the fields of plumbing and heating, and electrical and carpentry and so on - rose astronomically by percentages from 18 percent to 28 percent to 50 percent to 100 percent to 132 percent, there is no justification whatsoever for increasing rents by a paltry 10 percent. This will never in a million years compensate for the increase in all these other areas.

4. If any cabinet minister who approved Bill 19, or any MLA who may be pondering the clauses contained within this bill, would only stop and reflect for a moment and then ask himself, "Now what if I was a landlord, and I had to make ends meet, under these conditions, would I like to have this bill imposed upon me." Surely this review board has already heard by this time, the hardships that would be imposed on landlords with sufficient evidence from these individuals to back up their claims.

5. In any decision that I have ever made myself, where it involved another individual, I have always put myself in the other person's shoes in order to see whether I would like done to me, what I intend doing to the other person.

Now, I sincerely hope the Government of Manitoba sees things in the same light as I do and as I have presented them here, right now, and thus prevent a hasty decision from taking place and a grave error which would impose extreme hardships on many individuals. And I thank you, gentlemen.

MR. CHAIRMAN: Thank you, Mr. Mandell. Order please. I've asked the delegations now three or four times not to applaud. We're not here for an applause meter effect. I ask the co-operation of these people. If you're going to keep this up, well, we'll do something else. We don't allow that in the house, the applause from the gallery, we don't allow it here. Are there any questions? Hearing none, thank you Mr. Mandell.

MR. MANDELL: No questions at all? Thank you gentlemen.

MR. CHAIRMAN: Mr. Sam Linhart.

MR. SAM LINHART: Mr. Chairman, members of the Law Amendments Committee, my name is Sam Linhart, I am the president of Lakeview Properties Ltd. We are one of the largest development companies in Winnipeg having developed projects in excess of \$100 million since the formation of our company, and its predecessor Lakeview Development Limited, in 1964. Our developments have been almost exclusively in Winnipeg.

(MR. LINHART cont'd)

Over the last seven years, our company has been involved in the development of close to 1,100 residential rental units comprising approximately \$25 million in development value. This breaks down as to approximately \$5 million in actual cash equity and \$20 million in CMHC insured first mortgages. Our own company has invested approximately 30 percent of this equity. The balance has been invested by prominent Winnipeg-based businessmen and companies who have had as their primary objective the creation of long-term investment values and a reasonable annual return on cash investment. In addition to the development of these projects, our company provides the continuing property management.

I am sure that you are familiar with some of these developments. They are Holiday Towers North and South, Kenaston Estates, Moray Village and Towers of Polo Park. Our basic philosophy in developing these large-sized projects is to seek out special locations, conduct extensive market research on what the people desire, and consequently build for a certain market area. Most of our tenants are in the middle to high-middle income area. We are not in the luxury market as such. We believe that we manage our projects well, are sensitive and responsive to our tenants' needs, are continuously involved in public relations programs, enjoy excellent relations with our tenants, provide on-site management and attempt to provide superior service.

The basic market which we cater to consists of the following:

1. Mature adults or empty-nesters - these are people who are over 45 but not yet approaching retirement. They have probably sold their home and want to enjoy superior accommodation.
2. Professional Couples - 30-40 age bracket with no children - these are people who are interested in adequate space, amenities, good design, high construction standards and a reasonably good quality of living. They are sophisticated and discerning, but not necessarily wealthy. They are primarily middle-income adults seeking an attractive environment.
3. Young married couples with no children who are both working.
4. Mature singles with reasonably adequate incomes. Many of our projects are phased over a long period of time. From a marketing standpoint, it is very important that many of the recreational amenities which will service the entire development be part of the original phase. In the first place, all of the tenants who are going into the developments expect these amenities from the outset. Secondly, it adds a great deal of credibility to the project as many other developments advertise amenities but do not necessarily provide them after the units are occupied. As a result, many of our developments have very high initial costs which will not be recovered until the entire development is completed.

A further point to consider is that because we develop a substantial number of units at one time, it takes approximately two years from the start of construction to bring a project to a 95 percent occupancy level. Therefore, rents must be reasonably competitive with the marketplace and it is not always possible to achieve an economic rent during the first few years. Until a project establishes a reputation and matures, it is difficult to obtain economic rents. Our overall feasibility generally presupposes that it will take at least five years for our projects to mature and earn a reasonable return on investment. By a reasonable return on investment, we generally consider 2 percent above the going mortgage rate. Therefore, if a project bears a 10 percent mortgage rate, 12 percent would be a reasonable return on investment.

In order for us to achieve our return on investment, we had estimated that our annual rental increases over the next three to four years would be in the range of 15 to 20 percent. This would enable us to annually increase our rent until we achieved our investment return objective, recover our past escalating costs, allow a reasonable estimate for future costs so that they can be matched against the revenues of that year and still not unduly raise the rents for any particular tenants. We are particularly sensitive to existing tenants so that we would not necessarily even increase their rent 15 to 20 percent but try and put a fixed limit on an existing tenant so that the recovery of an adequate rental would take a little longer than from a new tenant.

(MR. LINHART cont'd)

As additional background information, we are enclosing the most recent CMHC vacancy report as of January 1976 which reported on a survey conducted in Metropolitan Winnipeg during the first two weeks of October 1975. Page 2 of this report indicates that the vacancy rate in privately initiated structures increased to 2.1 percent from April 1.6 percent. It also states that the vacancy rate for structures with more than 200 units increased from 4.4 percent in April to 5.3 percent in October. Furthermore, Page 4 of the report indicates that for apartments completed between April 1, 1974 to March 31, 1975 a vacancy rate of 7.2 percent was experienced as compared to 1.7 percent for apartments completed prior to April 1974. Another significant factor is that downtown zones recorded vacancy rates for new apartments of up to 14.9 percent, suburban zones reported vacancy rates for new apartments of up to 10.6 percent. Another point to note is that the present vacancy rate is higher than it was in 1967, 1968, 1969 and 1974 when we did not have rent controls. Those vacancy rates increased substantially during the intervening years as additional supply was introduced to the marketplace.

Page 5 of the CMHC report states that there is slack in the market in newer units for which higher construction and operating costs tend to result in higher rental rates. The implementation of rent stabilization at this time seems motivated less by Manitoba rental conditions and more by reference to conditions in other provinces where the rental market is considerably tighter at all levels. This is borne out by the fact that Edmonton had a vacancy factor of 0.3 percent, Calgary 0.4 percent, Montreal 0.7 percent, Vancouver 0.1 percent, and Toronto 1.5 percent, all far lower than Winnipeg's 1.9 percent. Another important point to consider is that rents in Winnipeg have traditionally lagged behind rents for comparable accommodation in other major urban areas in Canada. This is notwithstanding that interest rates, operating costs and construction costs are relatively similar throughout the country. As a result, property owners in Winnipeg have traditionally shown minimal or no return on cash equity.

A further consideration is that rents in Winnipeg and other parts of Canada have lagged behind general cost of living increases. Because the vacancies tightened during the last few years, rent increases comparable to and possibly slightly greater than the cost of living increases took place in the lower rental ranges. However, this was more of a catch-up nature than the earning of substantial returns on investment. Costs traditionally associated with apartment blocks, such as utilities, property taxes and maintenance were escalating much faster than the general cost of living. Winnipeg's unique situation is explained by the fact that until the last few years, Winnipeg has been one of the slowest growing major cities in Canada and incomes have lagged accordingly. Therefore, our market in Winnipeg had been far more price sensitive than most other urban rental markets, and landlords had been reluctant to increase rents to match rising costs since they feared increased vacancy factors.

The foregoing is given as background information to make you aware of our particular problem. We know that other responsible developers who build large developments for long-term investment purposes would also be particularly disadvantaged by the proposed legislation. At vacancy rates of over 5 percent without the proposed rental increases, our projects will suffer very severe losses during the period of rent control and thereafter unless we are able to institute our proposed rent increases. We feel that we are being unduly penalized for building large-scale projects which we believe are well designed and constructed and which are being developed for long-term investment purposes. We know that other developers are in precisely the same position as our company. What we believe to be a healthy corporate long-term philosophy for developing superior projects in Winnipeg will turn out to be very injurious to our company. For the \$5 million of equity money invested in our projects, there will be absolutely no return during the proposed period of rent control. In fact, we will probably suffer substantial deficits. When returns of 11 percent or 12 percent are available on government guaranteed NHA mortgages or corporate bonds, we have to seriously question the feasibility of investing in apartment blocks. Some of our projects that have been up for approximately five years are marginally profitable, but this will be more than offset by those projects which have been completed during the last few years.

In addition, our projects are not fully leased. The overall vacancy rate is

(MR. LINHART cont'd) approximately 5 percent and will probably stay at that level notwithstanding rent controls because of our particular position in the marketplace. In addition to the very small increase which we will be allowed in view of our increase in costs and heavy front-end capital costs, the proposed 10 percent increase will barely cover the estimated increases in property taxes and utilities. In addition, the rollback to July 1, 1975 which is approximately ten months from the date at which the bill is supposed to be law, will be absolutely devastating on a one-time basis. There is not really any money in the rental accounts to pay for these rollbacks, and the rent refunds will have to come out of capital funds. This will greatly increase our capital investment in the projects. We are prepared to submit audited financial statements for each of our projects to substantiate these representations.

We believe that we manage our projects efficiently, and we are completely attuned to rental rates, costs, and all other factors in the marketplace. We are concerned that less sophisticated landlords and developers will be even more affected than we are, probably to the point where they may be in jeopardy of losing their property. We also know that many of the financial institutions who have mortgages coming up for renewal on many of these properties, will not renew. They feel that because of rent control, they cannot rely on a continuing cash flow to service the mortgages at higher interest rates, and consequently will be looking to have their mortgage balances repaid on the due dates. This could create a number of foreclosures in the city.

We realize that the landlords of many of the older apartment buildings which previously had offered low rents to many young couples just entering the marketplace, as well as older people on fixed incomes have increased their rents substantially. We agree that there may be a problem in this particular respect and somehow there should be legislation to protect the people on fixed incomes against these substantial increases. This could be accomplished by controlling rents, but only if the costs of operations such as utilities, property taxes and maintenance could also be controlled. Perhaps direct subsidies to these tenants could compensate for the uncontrollable property taxes, utilities and increased mortgage interest. However, by legislating against these situations, I am convinced that you have accidentally caught a number of responsible landlords and developers who have not been taking advantage of the tenants and who will suffer horrendous operating losses over the next few years. This appears to us to be patently unfair. All we would like to see is responsible legislation that will not throw the complete burden on government to provide housing, and will not destroy the investment and private-initiated housing industry in Manitoba.

We are trying to delineate the fact that the proposed legislation does not appear to be sensitive to the problems which confront new large-scale projects, nor does it recognize tenant incomes and profiles, cash investment, operating cost structures, vacancy factors, and operating philosophies of particular projects. There is no differentiation between new and old or large and small projects. This legislation clearly does not seem to understand the vagaries of the marketplace, and will undoubtedly create undue hardship where it probably does not intend to.

We also completely disagree with the suggestions that by exempting new buildings for five years, there will be incentives to create new projects. The economic rents required at present interest rates and construction costs will be substantially in excess of rent-controlled apartments for competitive developments. We calculate that there could be a 30 percent difference in rent between an apartment built over the last few years and a new apartment to be constructed after January 1, 1976. Therefore, we do not believe there will be any demand for these new apartments, since most of the demand should gravitate towards the rent-controlled apartments. Developers only develop when there is a market, and more important when the new rental rates are such that they will compare favourably with market rents on existing accommodation. Rent rollback and control destroys the possibility of new construction ever competing on the market. In fact, our own company is seriously considering vacating the rental apartment market notwithstanding that we have zoned landholding positions in excellent locations. We believe that with the advent of excessive rent rollback, no recognition of return on investment, or estimating operating costs which can be matched against current rents, new apartments will not be able to compete with rent-controlled apartments. Although we already have overall development plans for our sites, for which the first

(MR. LINHART cont'd) phases have already been developed as rental units, the succeeding phases will probably be developed as condominiums. I feel quite certain that over the next few years there will be minimal new rental apartment development in the private sector. The government will probably have to fill this void and all of the subsidies therein if demand for rental units should continue.

We are shortly planning to start several hundred rental units under the old Government Assisted Rental Program. We will probably go ahead with these units since we already have incurred substantial costs. The grant subsidy which is no longer available on new projects and the income tax write-offs make them marginally attractive. However, this will probably be our last rental project in the foreseeable future. We know for a fact that many other large local developers have arrived at the same conclusion. The long-term solution is to encourage more and not less supply in the private sector. The proposed legislation will have the opposite effect.

We do not agree with the principle of rent controls, as they unduly distort the market. If the legislation is absolutely necessary, there should be a termination date to correspond with the termination of the Federal Government's Anti-Inflation Program. We should also not lose sight of the fact that any legislation should not create harmful effects for either landlord or tenant and should not discourage the continuing supply of new multi-family housing.

We believe that there are some reasonable solutions to accomplish equity and also alleviate some of the problems faced by landlords and tenants. We would hope that the proposed legislation would be amended to incorporate some of the following:

1. Because there is no control on 80 percent of cash outflow, such as mortgage interest, utilities and property taxes, a rent freeze without an immediate right of appeal creates an almost impossible situation for the landlord. Thus, there should be an immediate right of appeal for both tenant and landlord. We understand that there will be an amendment to this effect.
2. Make the rental rollback date October 14, 1975 to coincide with the Federal Government's Anti-Inflation Program.
3. Exempt all buildings which have been completed since 1971 from the Rent Stabilization legislation so that they have some possibility of attaining economic rents.
4. The review board should deal with increases in excess of 10 percent only when the tenant registers an objection. This should greatly minimize the board's detailed administrative work. The board should not deal with situations where tenants and landlords voluntarily agree on a rent.
5. Guidelines should be established for the review board so that decisions are not made on a purely arbitrary basis.
6. The review board should be authorized to react quickly to representations from tenants so that large potential rollbacks are not created.
7. Establish a reasonable return on investment for the landlord giving consideration to reasonably efficient management and competitive rents in the marketplace. This return should be based on total investment and should be geared to CMHC lending rates for insured apartment blocks in the private sector.
8. Allow past costs to be passed on as well as reasonable estimates of future costs so that a current matching of costs and revenues can be effected.

We would once again like to reiterate that the proposed legislation as presented will create devastating long-run problems in the rental industry. If introduced in its present form, it will adversely affect our company, the industry and ultimately, the tenants. Thank you.

MR. CHAIRMAN: Thank you, Mr. Linhart. There may be some questions the members of the committee may have. Mr. Craik.

MR. CRAIK: Mr. Linhart, you say that you are now involved in some of these ARP work, rental program work?

MR. LINHART: Yes.

MR. CRAIK: Were you involved in the previously limited dividend programs?

MR. LINHART: No, we weren't.

MR. CRAIK: And you say that at the present time, you'll complete the ones that you're involved in, the ARP programs you're involved in, and that will be the end of the line.

MR. LINHART: That is correct.

MR. CRAIK: Your company has already made this decision. If the government were to bring in rent review procedure, that would in fact provide you with some return on your investment, would this make a difference?

MR. LINHART: Well, it certainly would help. Our concern is that in the rent review procedure, if we have to make an appeal on every rent situation, that is going to take a great deal of time at the senior level, and time that could otherwise be spent productively on developing projects will have to be spent with a lot of administrative paper work and appeal procedure. It certainly would make a difference, but it would be quite cumbersome as opposed to just having to react to a situation where a tenant complains.

MR. CRAIK: You weren't involved in this limited dividend program but how do you rate the two programs, the former one carried out by the CMHC - the LD program - and the present ARP program that you're under.

MR. LINHART: I'm not that familiar with limited dividend programs. My understanding is that they're restricted to minimum incomes, and basically because we've never been in the lower income side of the market, we haven't really acted on the limited dividend program. The ARP program is a form of government subsidy geared to income, but it's not restricted to any certain income. I think the rent can't be more than one-fifth of the income.

MR. CRAIK: You also mentioned the CMHC published vacancy rates. Do you think that they are accurate from your experience?

MR. LINHART: I think that they're pretty close. I think that CMHC uses their own procedures to check vacancy rates. They never check with the management companies and I don't really think they're as accurate as they should be but they're pretty close. You know, I don't think that they'd be out two percent or something like that. One thing to consider in vacancy rates is this that when they consider a vacancy rate of two percent, that's based on the number of suites vacant at any one time, but normal turnover in the Winnipeg market is about 40 percent, and a vacancy rate of two percent probably translates to a vacancy rate of four percent in terms of dollars. So the two percent is somewhat misleading when you try and refer it to a financial statement because of tenant turnover and the fact that there are some lost rent days. That should also be taken into consideration.

MR. CRAIK: By normal turnover of 40 percent, do you mean 40 percent a year?

MR. LINHART: 40 percent a year, that's right.

MR. CRAIK: That's all I have to ask, Mr. Chairman.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Well, Mr. Chairman, I have a series of questions, one is on the question of vacancy rates. I believe the normal standard that's used to determine whether there is some flexibility in the market is about a five percent vacancy rate. Would that be about right?

MR. LINHART: I would think so, that's pretty close.

MR. AXWORTHY: So if the CMHC figures are approximate, then in fact their estimate of about two percent at this stage means that really, in effect, there isn't much of a market in the rental area simply because there aren't enough units to provide for turnovers. Is that a fair assessment?

MR. LINHART: Well I think there are enough units to provide for turnovers. I think they're dealing with about 53,000 units. I think that there are very high turnovers in the higher rent projects, and about 20 percent of those projects have been built in the last five years. And that's where the real problem is in terms of vacancy and I'm sure in terms of profitability.

MR. AXWORTHY: So what we're really dealing with then is that in this particular area the problem of turnover is in the units available for middle, higher income people where there is some vacancy availability in apartment units, but almost virtually none for lower income tenants. Is that the way the market works?

MR. LINHART: That's probably correct.

MR. AXWORTHY: Okay. Could I ask this question then. What you're saying really is that with all the increases in costs, in construction and services and everything else that goes along with the private rental market, are you really saying that it's

(MR. AXWORTHY cont'd) really only in that upper middle income range that the private market in new construction can serve at this stage and that, in effect, the rest might have to be picked up by some form of government sponsorship, say, an ARP program or something else?

MR. LINHART: That's correct. Well, in fact, even higher income projects can only be supported by ARP programs today or subsidies. You can't justify them on their own.

MR. AXWORTHY: So what you're saying then really that in the housing market, particularly on the mortgage side, that you almost require some form of tax write-off or grant subsidy or incentive in order to be able to produce housing?

MR. LINHART: That's right.

MR. AXWORTHY: And, then, this is true even for the market that you serve which is a better, well-off market.

MR. LINHART: Yes, that's correct.

MR. AXWORTHY: Okay. That leads to some interesting conclusions then about the way in which we approach the whole housing market that if it increasingly is dependent upon government supports of one kind or another on the financial fiscal side, what would you think should be the corresponding obligation on the part of the entrepreneur or landlord or owner for receiving that subsidy. Are there any rules or obligations that they should assume in effect for the use of that money or is it simply the fact that they're going to provide housing?

MR. LINHART: Well I think, you know, that's a very difficult question to answer. It's a very philosophical answer. I presume that government and industry have to work together to provide the needs of the housing market. And I think there are a number of incentives that can be provided and I think the two sectors, the private and the public sector, have to get together and work these things out. I think ARP is one solution, I think limited dividends is another solution except the limited dividend program is no longer in existence in Winnipeg. I think the limited dividend serves the lower end of the market and was an effective program, and we're sorry to see that it's no longer operating.

MR. AXWORTHY: Mr. Chairman, I have some other questions. You mentioned in your brief that you anticipate that a number of financial institutions will not be prepared to renegotiate mortgages on apartment units that are coming due for their five-year new term. Could you expand upon that and give some indication of how serious a problem it is, and is it something that will in fact require perhaps public funding of mortgages in order to pick up that slack? How serious a problem is that?

MR. LINHART: I think it's an extremely serious problem. Take a 20-unit apartment building that has a \$10,000 per unit mortgage against the \$200,000 which would be a typical, small apartment building, and say that mortgage has been going for five years and it's paid down by \$10,000 which would be a lot. With \$190,000 coming due the mortgage company says, "there's no cash flow to support the payments, either pay me off or pay me down substantially so that, you know, maybe instead of \$190,000 I'll renew it at \$130,000, which means that the landlord or owner has to come up with \$60,000 in one form or another to pay it on the mortgage. And this is happening. There's no question about it.

MR. AXWORTHY: Is there any answer to that that you would be able to suggest at this point other than not passing legislation?

MR. LINHART: Well I think that in those particular cases the legislation would certainly have to recognize the increased mortgage rates as one possibility. And that'll have a substantial effect on the rent, much more than 10 percent on its own. I think it could be as much as 20 percent just to pay the difference in interest from five years ago to today.

MR. AXWORTHY: Mr. Chairman, that would be then a final line of questioning. The introduction of an appeal procedure or review procedure, you suggest should be accompanied by guidelines that would set out some standards by which the review would be considered. And in the presentations that we've heard tonight, we've heard really claims made for exemptions or guidelines that would take into account major renovations. I think in the case of your projects it would be units that have been recently built since 1974 or . . .

MR. LINHART: 1971.

MR. AXWORTHY: 1971. Units that have had to renegotiate their interest rates would be another set of considerations?

MR. LINHART: Yes.

MR. AXWORTHY: Do you have other kinds of guidelines or other things that should or could be included as part of those guidelines to monitor the review procedure?

MR. LINHART: I think a reasonable return on investment would be one. I don't think anybody is objecting to controlling profits if there are any. And I know there's been a lot of talk about the anti-inflation guidelines by the Federal Government but those guidelines allow companies that are losing money to increase their prices more than is authorized by the guidelines to at least get to a break even situation. Not only that but the guidelines cover the 500 largest companies which to a large degree are mature, profitable companies. So if these companies have to suffer no increased profits for 18 months or whatever it is, it's not a difficult situation. But when you're losing money and you're being legislated into continuing to lose money, it becomes a pretty rough situation for many of us. And that's our major concern that you can't compare a rent situation to the anti-inflation guidelines as far as cash flow is concerned because there is no cash flow, and as I say the guidelines refer only to the 500 largest companies and the employees working for those companies.

MR. AXWORTHY: Okay, on the appeal procedure then, if such guidelines setting out these kinds of criteria were established that would establish what increases above the 10 percent would be allowed, what would be the case in your company where you've got 1,100 units? Would you be appealing all those 1,100 units? Could you give us some indication of what . . .

MR. LINHART: Yes, we would because we need 15 to 20 percent rent increases just to achieve our return in five years, not to achieve it in Day One. We'll maybe do no return the first year and three percent the second year and six percent the third year until we can get up to 12 percent. That's our objective. We don't always do it because there's a market consideration, and if you raise the rents too much the demand for your units go down.

MR. AXWORTHY: Mr. Chairman, that was the other question I wanted to ask. If we're talking about allowing exemptions or exceptions to the 10 percent figure, what would be the kind of condition that we would place on those exemptions if in fact the inflation program began to bite and costs did start going down, labour, utility costs, other service costs. But if in fact they were able to get the inflation rates say down to six, seven, eight, percent over the next year or so, would then you be able to move your own rents into a position where it would be able to be within that 10 percent guideline?

MR. LINHART: Yes, I think once we achieved the type of return we're looking for, we'd be very happy to keep it stable. We're not anxious to increase our return beyond our objective over even the next five years. So we would only increase our rents according to our increased costs.

MR. AXWORTHY: So what you are saying, if there is a way of doing it, and I'm not sure there is at this point, of allowing the initial bulk of costs to be absorbed in the rent increase, you can then anticipate stabilizing down to a pretty consistent percentage figure within that 10 percent guidelines or below.

MR. LINHART: Yes.

MR. AXWORTHY: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: Mr. Linhart, I'd like to thank you for your very sensible brief and also for sending a copy to me some time ago. It certainly is being considered by the people that will be involved in this rent control situation.

There are some questions I had about the rate of return. I thought from your brief that you were basing your rate of return at two percent above the going mortgage rate, that is the mortgage rate to negotiate for the particular property in question.

MR. LINHART: That's correct.

MR. TURNBULL: So that the two percent would rise as a fixed amount above the mortgage rate? The total amount of return then would be based on what - on your equity and on your money in and your total financing charges?

MR. LINHART: Well we'd be happy to base it on our equity.

MR. TURNBULL: On equity?

MR. LINHART: Yes. I'm not sure that's completely valid for projects that have mortgages that are significantly paid down or that have a large difference in market value from actual costs, but we consider our costs to be close to market value and we would be very pleased to get our return just on our equity.

MR. TURNBULL: One of the concerns that I have with setting rates of return on the basis that you outline here, that is two percent above the going mortgage rate is making some provision for the efficiency of the operation. And it would seem to me that putting in that kind of rate of return in the legislation would only ensure that the inefficient operator would continue to be inefficient, and it would penalize the efficient operator.

MR. LINHART: Well I think that there are some ratios that can be used for operating expenses, and if they operated within those ratios then you could allow the return on investment. I think the ratio in the Winnipeg area for newer buildings is in the range of 50 to 55 percent of rents collected not counting mortgage charges. That's a reasonable level of operating costs.

MR. TURNBULL: Do you think - like the application procedure that is drawn into the bill says; applicable after September '76, in effect, will be brought forward to apply from the period of July '75 on. If that can be made to work effectively, will that solve the cash flow problems that you see as creating difficulty for refinancing?

MR. LINHART: Please repeat that, I didn't get your point, Mr. Turnbull.

MR. TURNBULL: What I'm getting at is the points you made about operators not being able to refinance because there is a lack of cash flow. And your brief really is based on the legislation as it's now drawn?

MR. LINHART: Yes.

MR. TURNBULL: The legislation as it's now drawn does not include provisions for application for rent increases above the 10 percent to cover justified costs. If that application procedure is brought forward to this initial 15-month period and if that application procedure can be made effective, do you think that that procedure will eliminate the cash flow problems that the operator might have?

MR. LINHART: I think it would certainly help.

MR. TURNBULL: And then if that application procedure helped, then the problem of refinancing and getting mortgage money would be lessened.

MR. LINHART: Well I think there's two elements. I think as long as the mortgage companies know that the rents to be charged will be sufficient to cover the operating expenses and repay the new mortgage charges, then I think that they'll probably go along with the situation. And they generally will look for about a 75 percent mortgage to value.

MR. TURNBULL: You seem to indicate, that you feel that some of the older buildings - you mentioned in your brief that there was a problem in respect to legislation to protect people on fixed incomes against substantial increases in older apartment buildings. Is it your basic position in this brief that new construction such as that which you're operating should really be exempt from the controls and some form of control should be put on these older apartments?

MR. LINHART: Well I think that the only situation where controls are valid are really in those situations where people are on fixed incomes and they really have no flexibility. They can't move elsewhere, there's a very tight market and for some period of time until there's more supply, there's got to be some protection. And I think that, you know, unduly high increases where they're not justified should be legislated against. No question about it. I think that that's a valid situation.

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

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Linhart, you're located downtown primarily, I guess, with your major operation or your newer ones, at least, now in the vicinity of the Convention Centre I presume with the Holiday Towers and so on.

MR. LINHART: Yes, we also have some new developments out in Kenaston and in St. James, but they were all built around the same time.

MR. CRAIK: There has been a sport of overall objective in recent studies on the City of Winnipeg and the planning people that have looked at the downtown core

(MR. CRAIK cont'd) of the city to try and introduce a mixture of commercial as well as residential into the newer developments in the downtown area.

MR. LINHART: Yes.

MR. CRAIK: I presume that your units that you have there, probably the main example of this type of redevelopment in association with skywalks and the Convention Centre and the other things that are associated there.

MR. LINHART: Yes, we think so.

MR. CRAIK: So what you're really saying is that the present picture now is that even on new construction you're looking at some sort of ARP program, or so on, even for the type of income level of people that you're looking at attracting to that sort of development.

MR. LINHART: That's correct.

MR. CRAIK: You would be at least in the future?

MR. LINHART: Oh yes. You know, unless the market changes completely, there is no way we could justify any type of apartment construction on a strictly conventional basis.

MR. CRAIK: You're looking at then assistance to people who will be paying rents probably in the \$300 a month range, or that high?

MR. LINHART: Well the assistance really aren't to those people. It's to the developers or to the owners who are going to construct the units and make that accommodation available because the rents you have to charge are just too high for the market to absorb, and if that market is to be satisfied then I think there has to be some assistance.

MR. CRAIK: I guess the main question is or the main concern is if this program then really rules out the construction of new buildings, what we're saying essentially is that in the redevelopment of the downtown area of Winnipeg, there's probably not going to be any housing rental accommodation down there unless the government does it directly themselves, but there's not going to be that sort of development in association with your development plans?

MR. LINHART: Well unless they either do it directly which we don't think they do, or unless they create some incentives to develop, such as some kind of parking incentives - and this is strictly downtown - parking or tax holidays or recreational facilities, that can service both developments and serve the public in general in the downtown area. Unless those things are provided as kind of an overall plan, it's very hard to justify apartment construction downtown, or any form of high-rise.

MR. CRAIK: If the economic return was there, if the economic rent was there, would you be proceeding with a mixture of residential as well as commercial in your further developments down there?

MR. LINHART: Yes, we would.

MR. CRAIK: You have other holdings in that area, other than what you've already developed, that would be developed for residential in that general area according to the plans that, you know, have been advocated by the city over the last few years.

MR. LINHART: Yes, that's correct.

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

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

MR. LINHART: Thank you.

MR. CHAIRMAN: Mr. Sidney Silverman.

MR. SIDNEY SILVERMAN: Mr. Chairman, Honourable Minister, members of the Law Amendments Committee, firstly, I wish to introduce myself. My first name is Sidney, as you called, my second name is Lord Silverman. This has been bestowed on me by a former Cabinet Minister, A. Mackling. He removed the first part, "land" and it became "Lord". I have not filed a brief in writing as I was afraid to leave the brief which the Honourable Minister, Sidney Green will get a hold of it, read it at night, and take it apart in the morning. And let me tell you it shouldn't happen to a dog what would happen to the brief, and therefore I shall present it orally.

Before Bill 19 was introduced, I had hoped to retire in 1976. This was my target. However with the introduction and passing of Bill 19, I shall not be able to do so. I don't know why you did it to me, and I cannot promise you when I'll retire. --(Interjection)-- Well, we're both in the same boat.

(MR. SILVERMAN cont'd)

When I noticed that the Bill had a number "9" I was sure that this spelled trouble - like Bill 139 - and I can assure you that we are still choking on that one, that's six years later. --(Interjection)-- Bill 139, the Landlord and Tenants Act. I will refresh the memory of some of your Cabinet. You remember that? Well, that's fine.

Bill 19 would have been all right with the exception of three small items - tiny ones. Other than that Bill 19 is perfect.

Item I, rollback of rent increases to July 1, 1975 - one tiny little thing. The second item, limit the increase only to 10 percent, which is according to my estimation unrealistic in these particular times. Item three, that's really a tiny little one, the Review Board and the Review Officer with great powers.

The first two items could have been worse. They could have rolled it back to 1974. They could have limited it to two percent only, why 10? And the landlord should deliver rebates on a silver platter to the tenant, not just give him a rebate like this or write him a cheque, deliver it to him. But they have forgotten that everything has gone up in price, as the song goes "The Old Grey Mare Ain't What She Used To Be". It's gone up, everything has gone up. That they have forgotten.

Now, when it comes to Item 3, the Review Officer, they made the Review Officer have such great powers that he will be like the "Lord High Executioner". The Review Board, oh, will not be any better than the Rentalsman's office. If you have to go before them you are lost before you go and I can assure you of that. You don't have to worry of winning because you'll never win. Never.

All the briefs that have been presented to you till this particular moment, - everybody presented to you briefs with figures, more figures, what they made, what they're going to lose, if the Bill 19 will pass in its present form. What will happen to them, some will even lose not only the block, but even their own pants in it. So, as a result, I shall present to you the facts of the life, I would say, of a landlord instead of a lot of figures; and maybe you'll understand the meaning of "landlord".

I hope that Bill 19 will be amended, or stow it away even and I wouldn't object to that at all. Should it be passed in its present form, I shall become only a servant to my tenants and will inform them - maybe in writing if I'll have eight-cent stamps yet to send out the letters - that it has always been a privilege to serve them without any pay and cater to their whims. Well, after all he's a tenant and higher than the landlord, and I am rich and the tenant is poor.

Bill 19, the way it has been drafted, represents all the landlords as being rich. There isn't a poor landlord according to the bill the way it's been drafted. He's made so much money we have to cut him down to 10 percent. And all the tenants are being poor. They are poor little tenants and we are picking on them. We're increasing their rent month after month. This is not the case.

In one instance a tenant came to rent a suite and he had requested three parking spaces - three. I can understand one or two. So I asked him, "how come you want three?" I never had a tenant ask me for three parking spaces. He said, "One for my car that I go to work; another car that I drive only on Sunday; and a trailer and a boat". Who hasn't got a trailer and a boat? That's my tenant, the poor tenant. The rich landlord uses - I particularly am using a half-ton pickup truck that has 120,000 miles already and I have to use it on the weekends. Sometimes if I have a half an hour I give myself a treat, I wash that truck so it looks a little better. I have no car, I have no trailer, and I have no boat. And do you want to know what I do on a Sunday? I drive around with my truck to check up on my tenants who haven't paid me the bills. --(Interjection)-- You bet.

A few years ago I thought that I'm going to be a lucky landlord. I thought here is my luck. When the Honourable Saul Cherniack became Minister of Finance I had hoped that at any time, I'll be owing to another bank. I will be able to run across the street and borrow a few dollars from my neighbour, maybe from the Manitoba Development Fund, from anything, as long as he'll give me a few dollars. However, he must have known this. So what he does, you know what he did? He resigned. He resigned from being Finance Minister.

MR. . . . : Now we know why.

MR. SILVERMAN: You didn't know why he resigned from being Finance Minister.

(MR. SILVERMAN cont'd) So I was left without being able to borrow any money to cover my overdraft. So I wanted to approach the Premier, but I didn't think I would receive any sympathy from him - so I let it go. Now I would like to inform you gentlemen that my name in the bank is "Mr. Overdraft". When I enter the bank, there goes "Mr. Overdraft". A lot of people believe that a landlord makes so much money in renting property that he doesn't walk to the bank, but he dances to the bank with the money. So if you gentlemen see a man dancing in the street, I want you to know he's a landlord.

I have a friend who bought a small block recently. He had no problems previously. Of course, he didn't ask me before he bought it. Then the fun began. One morning I was driving to work - you see I get up at six o'clock in the morning because when you get up early, the early bird catches the worms - so I figure maybe I'll catch a few worms in the morning, so I get up very early and I go to work. I saw my friend sitting on the steps of the bank and I stopped my truck and got out and asked him, "What are you doing sitting on the steps of the bank so early in the morning?" He replied that he was waiting for the manager as his account has already been overdrawn, and he's afraid that the management is going to send his cheques back. And when I told him it's too early, the manager comes at 9 o'clock in the morning - between 9 and 10 - he says he doesn't care, he'll sit over there until the manager will come. He doesn't care how long; if he wouldn't come that day he'll sit till tomorrow morning to wait for him. He's a landlord. This is a rich landlord. But I haven't found one poor tenant sitting on the steps of the bank. I've been driving around the city quite often and I never found one.

As I am a small contractor I received several calls to give estimates for swimming pools. All of a sudden everybody's phoning me, how much does it cost to build a swimming pool? I couldn't understand it, why all of a sudden I'm getting calls for swimming pools. Never in my life did I ever get so many calls for a swimming pool. Maybe one call a year. Then I received another telephone call so I figured I'll ask the caller, why do you want a swimming pool? He replied that if Bill 19 is passed, he won't have to go very far, he'll have it right in his yard. Why go to Redwood Bridge? He would have to take a walk yet. That's how the situation is.

You had an example of a presentation by a tenant called Mr. Blair. In his presentation he said, don't amend Bill 19 for the reason that he is a pensioner. He believes that the landlords are rich and they should subsidize as he cannot afford any higher rent. I ask this committee, why should he insist on living in an expensive suite when he can obtain a less expensive suite? He doesn't have to live in a highly-priced suite. I know, I cannot afford to eat steak; I buy hamburger, that's good enough for me as long as I pay for it.

I do not know why everybody is picking on their landlord. Why should the landlord be expected to subsidize everyone? Why doesn't the government, this particular provincial government, pick on other branches of the economy? Why only a landlord? There's banks, there's insurance companies, there's trust companies, there's so many big concerns, pick on them. Why pick on us?

Mr. Blair went on to say, "do you remember where the votes are?" This sounded already like a threat, he's threatening you gentlemen. He said it several times, and I say to you that you shouldn't worry. If you do amend the Act, I shall vote for you once and even twice, and I will undertake to go out and canvass for you all that you should all be re-elected. So don't worry about Mr. Blair's presentation.

A tenant with whom I discussed business told me that he has a lot of investments. So I asked him, why does he rent instead of investing in a property and becoming a rich landlord. Although I'm not so rich, if he'll invest, he'll make so much money, he'll get rich overnight. So you know what he replied, "I read that they are rich tenants, they are not poor landlords". And believe you me, I agreed with him.

Another tenant, with whom I discuss business matters, stated, "I can buy you out in the middle of the night." He can buy me out in the middle of the night. So I asked him, "why do you have to buy me out in the middle of the night, I'll sell it to you in the middle of the day". I haven't had a reply yet from him. I made my offer.

I would also like to inform you that I still live in the north end. And, if you want to know why I've been living all my life in the north end, I haven't made enough

(MR. SILVERMAN cont'd) money to get out of it. --(Interjection)-- Thank you. Thank you, I'll send you \$25.00 for that. --(Interjection)-- No, no, no, I'm sorry, don't insult me, I'm a rich landlord.

At one time I discussed with a real estate man that I would like to move in the vicinity of River Heights. There's more prestige, you know, if you live in River Heights, close to Tuxedo. Even if you live out a couple of miles, but it's close, you can say you live in Tuxedo. So the real estate fellow, while I was driving with him, we discussed finances. After he listened to me, how much money I had, I told him the real truth, how much money I had, I told him my bank. So after he listened to me, he took me down to the vicinity around Maryland Bridge and dropped me off there, around Westgate, Middlegate, Eastgate, somewhere in that vicinity and he dropped me off. And he said, "you know what, you will need more money than you have," - as if I didn't know, he was telling me - "in order to buy. So I would recommend to you that you walk across the bridge, go into your synagogue and pray for money. Maybe we'll be able to do business." So you know advice doesn't cost any money. So I took his advice and I entered the synagogue, there was a man standing in the vestibule and praying for a hundred dollars. When I listened to him, I thought to myself, that must be a landlord, who else would pray for a hundred dollars? So I figured to myself, you know, this fellow, that's horrible. So I figured out, I was standing for awhile and listening. So I said, "I'll tell you what, you're praying for \$100?" He says, "Yes". I said, "you've got problems?" He says, "Yes". I said, "Look, I'll give you a cheque for \$100 and get the heck out of here because I'm praying for \$1,000, don't spoil my business." I'll tell you something. I went in and prayed, my prayers weren't answered yet. I haven't made the \$1,000 yet. No one gives me any handouts.

I use the above examples to show that not every landlord is rich and not every tenant is poor. There may be a few rich landlords. I don't know how the Minister calls them, gougers or something like this, I never heard of such fellows. But they're big landlords, they've got lots of money, like Richardson Building and so many other big concerns. But I want to tell you gentlemen, I don't care what happens to them. And would you like to know why I don't care what happens to them? Because they don't care what will happen to me with Bill 19.

And when a landlord complains about his problem, he's asked always a question. If it's so bad why don't you get out? Get out. My answer to this is, I was born to be a landlord, just like some people were born to be musicians and some people are born to be politicians. So I'm faced with the various by-laws. I'm faced with by-laws from all sorts of departments. Departments we have quite a few. We have municipal departments, we have provincial, we have federal and let me tell you we've got books upon books with by-laws upon by-laws every week and every month there's a new by-law. We've got already a by-law 1046 - 1,046 by-laws in Winnipeg from the municipal level. And as far as the Provincial Government, we have right now, I can assure you that we have a Bible - this is the Landlord and Tenants Act - and I'm sorry that I called it Landlord and Tenants Act because this isn't true. It is a Tenants Act. But this particular book is now bigger than the Old and New Testaments put together, and in order to read it you need two lawyers. One isn't enough.

MR. BILTON: Mr. Green's a lawyer.

MR. SILVERMAN: I beg your pardon? Green? Are you sure? Is he Irish?

So when I'm talking to you about all these by-laws and laws that we are faced with and then we have certain laws which we are covered by the so-called Health Department who comes in to you and gives you orders. He gives you orders when the tenant calls him, but when the landlord calls him, he hasn't got the time. He's very very busy. He never had the time. But if a tenant calls him, I can assure you, give him fifteen minutes, he's right over there, and he goes around, he's got one flashlight in one hand and a small flashlight in the other hand, and he goes around like this and he has a look at the walls, and he doesn't like the colours of the walls. So he goes back to the office and he delivers you a little yellow paper, it's called a summons, that you are summoned to repaint the walls - if he likes green he tells you to paint blue, if he likes blue he tells you to paint green.

But if a tenant breaks out a window - oh, he can break the window and then he comes over and tells you to replace the window within eight hours, if not, he'll take you

(MR. SILVERMAN cont'd) to court. And in one particular instance, one of my tenants on a Saturday evening decided that they're going to play a game. The game was - I have a unit, a sealed unit and this is an expensive window - that they're going to throw stones into the window and whoever gets the centre of the window - out of the company - he gets a mickey, 13 ounces of whiskey. Well, let me tell you, it didn't take them long to get through that window, they broke the window, there was fresh air. Lucky there was no mosquitoes, I would have had mosquitoes in the house. So they broke the window and that was Saturday night and on Monday morning, ah ha, one big inspector comes in, "Mr. Silverman, you'll have to replace the window." I says, "Why should I replace it? There was a new window to begin with." "Never mind what it was, what it is right now, there's a hole in the window." We have to replace it. So I says, "Why?" He said, "Look," he doesn't believe me yet, "maybe they broke it. I'll tell you, I've got some advice for you, take him to court."

And I might say to you, gentlemen, that the landlord has that privilege, he has this choice, to take the tenant to court. And then when you go to court - and I can assure you that sometimes you win, in many instances I did - but to go to court you are faced with two things. Either you have to hire a lawyer, and to hire a lawyer these days I'll tell you something, you have to work two weeks before you pay him the deposit, before he accepts you to go to court, and then this is what they call a retainer, two weeks is a retainer. So what happens the other two weeks, this is just in case that the first day we "ain't" going to be heard. Anyway, in order to get a lawyer, I have to work six weeks to pay him off for the case. The entire bill came to \$680 in order to win \$95.00. So from then on I decided when I go to court, I'm not going to call any lawyer, I will represent myself in the court. So I had that sense. I went to court and I came before Judge Keith and after he gave me a judgment, which I have enough of them, I've already papered two rooms with them, they come in different colours, depending on how much the judgment is, so I can't collect anyway, but at least let me look at them. So I asked Judge Keith, I says, "Okay, I appeared here, I spent two days, would you please, Your Honour, allow me the costs?" He says, "What! The costs? You're not a lawyer." I says, "I made an application to the law forum, to the Law Society for a licence, but they refused me." So you know what he said, "They can be pretty sticky. Apply again." So as a result of that I can assure you, gentlemen, from now on I became what they call a "practical lawyer". A practical lawyer is a lawyer that practises without a licence and never gets paid.

To top it all off, gentlemen, in 1970 we were blessed with the Landlord and Tenant Act - I'm sorry, again, it's a Tenants Act, it was wrongly named. Well, as I said, it should have been called actually a Tenants Act because the tenant always has the first word, the last word, and all the words in between; and when he gets finished the Rentalsman says, Amen. You've lost the case. You can go home. There's no appeal. You can't appeal once you go to the Rentalsman for arbitration, you can't appeal.

Well, now, gentlemen, I would like to give you a few more examples of some tenants. One tenant the other night called me up at three o'clock in the morning, just as I went to sleep, and I must have gone to sleep around one o'clock, just as I was really sleeping good and out of my sleep I hear the phone is ringing and it's ringing. Finally I dragged myself up, I couldn't even find the phone, there's a chair in front of me and here I fell over the chair, finally I made it to the telephone, "Hello". So he says over the phone, "Is that you?" He doesn't know my name already. So what can I say. I say, "That's me." He says, "I've lost the key." "What do you want of me?" He says, "Bring me the key and open the door." At three o'clock in the morning. So I was furious. I said, "Where did you lose the key?" He says, "In the beer parlour." I said, "Go back to the beer parlour and pick up your key." He says, "It's closed." So I says, "Why don't you phone the beer manager." And he says, "I don't know his name." I said, "You didn't know my name either."

MR. CHAIRMAN: Order please.

MR. SILVERMAN: Now we have as I mentioned to many people, in all sincerity, we've got three kinds of tenants - 35 percent are very good ones, we have no trouble, they pay their rent and they're very good. They look after everything and as a result we're very good to them. We even make them allowances of \$10 or \$15.00 a month.

(MR. SILVERMAN cont'd) Then we've got a fair tenant. They're fair, they pay the rent, but they're always grumbling about something, something isn't right, because they always think that they're paying to the landlord the money, and that's when they pay up the property. Then they're paying the property and the landlord is taking all the money into his pocket. He doesn't have to pay anything. Not for lights, or gas, or taxes. Everything is profit, 100 percent what they pay. But then we have a minimum of 35 percent of tenants, what we call destructive fellows. There are all kinds of them. Some of them they destroy a couple of days before they move out. Some start to destroy your property just as they move in; but the best ones are, when they destroy the property, your property or any other property, in order to avoid paying the rent, because if he destroys, he makes damages, he picks up a paper from the Rentalsman, and he writes out a whole magelley. It's a long paper with a lot of requests, things that he has done. He broke the stove, he broke the fridge, he made holes in the wall, and he broke the table and to top it all off, he couldn't get into the house because he didn't know the difference between the window and the door, so he thought it was the door, it was the window, he couldn't get in. So he was hammering on the window and he broke the storm window completely off, then he crawled in through the window. So he broke one storm window and then when he got finished with this window, he got in through the other window the next time. Anyways, this particular tenant lived for three months, he paid me \$450, he made damages to the extent of \$850. He didn't pay one month's rent, and finally he got him out, but not too easy, I had to see the Rentalsman, I went to court, and every time he avoided to be served, it took me close to about 20 days to get him out. Finally he got out without paying the rent. After he moved out it took me a month to do all the repairs. So I've lost \$300 and \$850, that's a total of \$1,100 taken off, \$450, I made. And this type of tenant, if you have several of them, I tell you then, that adds up to profits. That's how a landlord becomes rich.

And one particular instance, there was a couple, and well, these days you know, 20 percent of tenants decide to live common-law. Everybody else lives with somebody else. That's the style. Because if you don't you're not even in style. So they come around the place, and he gets mad at his wife, and she locks herself into the bedroom, and then he can't get in, so he takes a hatchet, he chops the door out, opens the door, he gets in to her, then they start quarreling. After a long period, about a half an hour of arguments, he takes her, he throws her out, and when he threw her out, she took the combination door with her, so I've lost that even, two doors, and the next day they moved out in the middle of the night somewhere. So I lost a tenant and I've lost two doors. And I'm enjoying to be a landlord, I'm telling you.

This was interesting, a couple came to me. One couple comes and they look young, very young, a man and his wife and a tiny little baby on their hands. Well that seems to be a good couple. But the only problem is with them, they always come on a Friday when you can't check up on them, because Saturday is Saturday, and Sunday you can't check them. When it comes Monday, they give you a cheque, and of course the cheque comes back. So we're used to it. We've got those cheques, quite a number of them. We file them in a file in a cabinet. But the worst of it was, when Tuesday morning, that was on a Monday, so I figure what's going to happen on Tuesday. Tuesday was worse than a Monday. What could be worse when you don't get paid. Three detectives come in to my office, yes, they phone me first. I say, what have I done wrong, the detectives look for me, I've never done anything wrong in Winnipeg, in all my life. So they come in, "Mr. Silverman?" "Yes". "Have you had a couple, two women move in here?" "No, there was a young couple just moved in." "Are you sure?" I says, "what do you mean? There was a man and a woman and a little baby." They went away, and says, "we may have to contact you again." I said, "Please do, if you have a problem. I solve a lot of problems. I'll solve yours too."

So on Wednesday, uh huh, three detectives come, and each of the detectives is carrying a big book with him, and I didn't know what was in the books. They come into the office, put the books on the desk. Three books with pictures. "Mr. Silverman, we want you to sit down, take your time, look over all the pictures. Can you find somebody that's similar to the one that moved into you." I start looking for two hours. Finally, "well these look something like the tenant that moved in." Well, finally they said to me,

(MR. SILVERMAN cont'd) "You know what? This isn't a couple. They are two women." "Two women!" Believe you me, I was so surprised, when he was dressed as a man. I says, "could it be that he was impersonating as a man?" So, I says, "what do you want me to do, have an X-ray machine?" I didn't know that they . . . Well anyways, this has actually transpired with some others and so on. I can stand here, and let me tell you that we have a number of tenants who destroy your property, within a month or two they do more damages than for three, four months of rent. And to illustrate to you the rich landlord who has, he gets a lot of money, and he has a lot of money from renting out, but he also has a lot of garbage for one month. And if you gentlemen want to see a picture from a tenant who lived there for two months and left me four tons of garbage. . . That is my profit.

Now well you've seen the profits which I make. As a result of the illustration which I have presented to you tonight, I think that you will be taking this into consideration, in order to determine, and to act on Bill 19, that you will take this into consideration that the landlords are not rich. If they make, they're making a living, and I say to you that everybody is entitled to make a living and to make a few dollars for their work. And I also would say that I commend the Honourable Mister Turnbull for the job that he is doing, and with your help, that he'll be able to put the entire bill into cold storage, I hope, but if you do have some sort of a bill, please consider that it's not all that rosy for the landlords. They have their problems, and all the increases that they have they hardly, hardly, make it go. With this, I would like to say, thank you for your consideration in allowing me to present my only presentation to you.

MR. CHAIRMAN: Thank you, Mr. Silverman. Are there any questions any member of the Committee have? Mr. Bilton.

MR. BILTON: Mr. Silverman, I was rather interested in your comments as to your dealings with the Rentalsman. Does this suggest that you're a pretty poor landlord, that you had to be going backwards and forwards to the Rentalsman all the time, or your tenants did?

MR. SILVERMAN: As a matter of fact, no. I don't even bother going there, because it wouldn't help me. So what happens, that I make a decision whether to let it go, or I would take the certain tenant who doesn't pay, take him to court, and that is the only way that you have a chance to put your case properly before a magistrate.

MR. BILTON: Mr. Chairman, may I ask Mr. Silverman, how many units do you operate, Mr. . . . ?

MR. SILVERMAN: Oh, I only have several units, and those several units that I have, I can assure you, that they are too many. I wish I wouldn't have had it.

MR. BILTON: Just one other item, Mr. Silverman. You were telling us that throughout your remarks that you're a poor landlord. Didn't you tell us you were poor . . . ?

MR. SILVERMAN: Let me put it this way. If I wouldn't be working for a living and would have to depend on my rental income, I would be on welfare, which I would enjoy much better.

MR. BILTON: Mr. Silverman, my reason for asking you that question is that you did apply for a legal license and it was turned down. I wondered if you had taken advantage - by the fact that you are a poor landlord, taken advantage of legal aid to assist you with your problems?

MR. SILVERMAN: Well let me inform you, no landlord is entitled to legal aid, no matter how poor he is. The legal aid is only provided for tenants.

MR. BILTON: I thank you for that answer, I anticipated it.

MR. SILVERMAN: You did. Well, I appreciate . . .

MR. CHAIRMAN: Any further questions?

MR. BILTON: No.

MR. CHAIRMAN: Hearing none, I thank you, Mr. Silverman.

MR. SILVERMAN: You're welcome.

MR. CHAIRMAN: Bayview Homes Limited. Mr. and Mrs. Michael Furby. Professor Edith Nickel. Mr. Joe Sipos. Mr. R. J. A. McLaren. Mr. Gordon W. Katelnikoff. Mr. George Clark. Mr. J. P. Hamilton. Mr. Clark.

MR. CLARK: Thank you very much gentlemen, I'll try and make this as brief as I can, we're wearing on into the night.

(MR. CLARK cont'd)

I am with Argue Brothers' Real Estate. I property manage approximately 100 suites.

As is not uncommon with legislation, we have an Act in Bill 19, in my opinion, the way it is presently written, that is not only too much and too late but also seems to be hitting the wrong people at the wrong time. I would just like to take a minute to explain what I mean.

Quite realistically at the time the rents started to really climb in Winnipeg, in the summer of 1975, the vacancy rate was as it had been for some time, there was little significant difference between the rate at that time and what it had been for a long time before. Winnipeg landlords being like most Winnipeg investors, never have been able to tolerate high vacancy rates of the other large centres. They have, and will always charge less rent rather than have a vacant suite. Remember that, because, it is an absolute fact, and quite a significant point in regard to what we are discussing. In 1975 the vacancy was not significantly different even than it is now. What was the reason then, with the demand being relatively stable, that all Winnipeg tenants suddenly be faced with massive rent increases of unheard of proportions. Did some strange disease hit Winnipeg that turned the once conservative landlords into gougers? How could they all be stricken at once? The answer is costs.

When the first massive increase in taxes and hydro were implemented in 1974, the very close to the line rents that the Winnipeg tenants enjoyed were suddenly not enough to pay the landlords costs. The landlords might be conservative, but then as now, they knew when they were losing. The rents had to go up, and fast. The fact that three months notice of rent increase was required and that most tenants were on written year leases, made the increases come to the landlord very slowly; consequently each time the landlord got the rents up to cover what he needed, another increased cost was implemented. In fact, there has truly been no significant catch-up at all for any landlord who has one year or longer leases. Increased costs have been coming faster than he can possibly recover from.

During last summer, many owners sold their properties to avoid the agony of increasing the rent, especially for their long time tenants who in many cases they had known for years. Since building replacement costs were skyrocketing, market values of the existing buildings were skyrocketing too. The new owners with new higher interest mortgages were trying to make the cash flows fit the costs. They weren't worried about the old tenant. In a lot of cases they weren't worried about the returns either. The trick was just to limit the loss on cash flow and make the money on the resale of the property. By this time rents were soaring too, along with everything else. There was still no catch-up though, with the costs still increasing there is still today still no catch-up in sight. The funny part is, however, that through it all and overall, the Winnipeg renter is still paying less for accommodation and services than any homeowner. Remember, it's mostly the inflation that gives the homeowner equity. The percentage of income paid by the renter for accommodation, in all cases I've seen, runs from 15 to 20 percent.

They seem to rent within this range by natural choice. Tenants do not seem to want long-term obligation and are not interested in the investment value or the five to ten percent premium that is paid by the homeowners for their investment.

In the last few years the cumulative effect of legislation from all levels of government directed against the landlord, his property, the cash flow or the market value it represents has been staggering. I would not like to see you make the mistake of considering the effects of this legislation by itself.

Now you'll all be fully conversant with these sections of the proposed legislation - by now you will - but I would like to refer to some specifically. Section 13(2) as it is written this section limits the 10 percent increase back to July 1st, 1975 and the landlord is to "forthwith" refund the excess. The next section to that says he has two months, but this one says "forthwith". I suggest that as well as the financial problem that this will entail the abuse and animosity that will result, will stir up and damage the landlord-tenant relations beyond repair. If you go back to October when the controls were announced or back to July with the 20 percent limit, this would at least lessen the chance for potential conflict as well as the financial problem. The real significance to

(MR. CLARK cont'd) me here is that the numbers of people in conflict would be lessened. We're dealing with an awful lot of people and I suggest to you that this particular matter is very critical.

Section 14. This section gives no indication that any increase will ever be allowed again. With costs still climbing that scares me tremendously. To put the cap on one end of the problem and not on the other is to me courting disaster. The possibility of buildings being abandoned because expenses are allowed to rise and income is limited is almost inevitable.

Section 29, Titled "Rights Against New Landlord". This section makes the new landlord responsible for the old landlord's increases. It could not only be impossible for the new owner to verify what the early increases were, the old owner might be impossible to find, or if found, could little remember or care less what the individual increases were. I feel that it should clearly be the responsibility of the tenant to deal with the old owner.

Section 31(a)(b)(c)(d)(e) and (f). This list of landlord sins is so broad and restrictive that it will make every landlord a lawbreaker. Please remember that when survival is threatened any law has very little effect, no private landlord is going to lose for long irrespective of all the regulations and restrictions. Abandoned properties in our community will be a disgrace and a blot on our society, that is unwarranted and unnecessary. Bill 19 in its present form carries this potential. I urge you to change it while there is still time.

Just a footnote I put in here this evening. I am, by occupation, a realtor, mainly a marketer of property and as such I would also like to comment on something that is quite critical here, and that is the difference between market value and cash flow. What rent controls are concerned with totally and completely is cash flow. If you, in making your legislative decisions on rent controls are concerned with market value or what the block is worth, then a capital gains tax is what you need, not rent controls. For sometime the profit on cash flow has ceased to be the main concern of the large property holder. Most often he does little more than break even or even take a slight loss. Why would someone buy or hold a property that doesn't make a profit? What is the value of a negative tax flow: Ask your accountant. If someone is faced with big income taxes the benefits are substantial.

To the small landlord, however, when his profit through cash flow drops his income drops and he suffers a genuine hardship. If his property happens to be very highly financed, as with many new owners and also new development, Bill 19 will put him in really deep trouble. Thank you.

MR. CHAIRMAN: Thank you, Mr. Clark. There may be some questions members of the committee may ask. Hearing none, thank you very much. Mr. J. C. Hamilton. Mrs. Victoria Luchka. Joan Johannson. Audrey Delaronde. Bert Huebner. Allison Campbell. The Manitoba Landlords Association. Graeme Haig.

MR. GRAEME HAIG: Mr. Chairman, gentlemen. My name is Graeme Haig and I'm here speaking this evening on behalf of the Manitoba Landlords Association. I'm substituting for my partner, Mr. Smethurst who is absent from the city, but I have had the opportunity of reviewing the brief that's to be submitted and which was considered by the Landlords Association and prepared by them and their input in, this is very substantial. Copies of the text are in the process of being distributed, Mr. Chairman, but I'll proceed.

The Manitoba Landlords Association is a non-incorporated body organized in 1975 to represent a number of landlords of residential properties within the Province of Manitoba. There are presently approximately 200 members in the Association of whom a substantial number are what might be referred to as "small landlords" in that they own properties of a dozen or less units. Among the membership, however, are also a number of landlords whose properties number in the dozens of units.

The Manitoba Landlords Association held a meeting on Tuesday, March 16th, attended by close to 300 people interested in the subject of the meeting, namely, a discussion of Bill 19. The meeting was attended by The Honourable Mr. Ian Turnbull, the Minister of Consumer, Corporate and Internal Services, Mr. Lloyd Axworthy, MIA, and by Mr. R.G. Smethurst, all of whom took part in a panel discussion and presentation about the proposed Rent Stabilization Act.

(MR. HAIG cont'd)

By the time this brief is presented, your Committee members will not only have taken part in considerable debate on the Bill in the House, but will also have heard representations from a large number of delegations representing groups as well as individuals, and expressing I expect both support and opposition to this bill. Undoubtedly, most, if not all, of the Briefs presented, will have outlined the views and concerns of a particular organization or individual with respect to the proposed legislation. Possibly, some part of what is contained in this Brief will have been said before, and for that I would ask your indulgence. However, it is the view of the Association that these matters must be said and said repeatedly, and the point of view urged on you, not only for the particular needs of the many concerned members of this Association, but also on behalf of the rest of the people of Manitoba.

In commencing our presentation with respect to Bill 19, we suggest that it is important first of all to consider the underlying purpose behind the proposed legislation. It would seem apparent from the words of The Honourable Minister when he introduced this legislation to the House that it is being brought forward primarily as a result of the Federal Anti-Inflation legislation announced by the Prime Minister on October 14th, 1975. It is intended to act as a brake on spiralling inflation in our economy. It is specifically intended to limit increases in the cost of accommodation, not only of those who are not able to own their own living accommodation, but also those who, for their own reasons, have chosen to rent living accommodation rather than to own it. It is important to note at the outset that the bill makes no differentiation between the two. Specifically, by its terms, it will limit increases in rent, as that word is broadly defined in the legislation, to not more than 10 percent in the initial period from July 1st, 1975 to September 30th, 1976, and thereafter to such amount as may be set by regulation for the period commencing October 1st, 1976.

A second express purpose of the bill, according to the Honourable Minister, is to encourage construction of new rental accommodation by exempting from the provisions of the bill residential premises under construction but not occupied as of January 1st, 1976, or constructed after that date during a period of five years from the beginning of the first tenancy.

Before proceeding with a more detailed discussion of the bill itself, we would suggest that all members of this committee and of our Legislature should ask themselves whether the bill in its present form, even if extensively amended, is, in fact, going to accomplish these two admittedly worthwhile purposes, namely: fighting inflation, and secondly, encouraging new construction of rental accommodation.

Much has been written in recent times on the subject of rent controls, and by now I would hope some references to several important publications have been made to your committee. We would in particular like to refer you to three recent well considered reports. Firstly, there is the report of the Natural Resource Institute of the University of Manitoba by Edith Jacobson Nickel and Ian Gillies entitled, "Problems and Issues of Rent Controls", published at the end of 1975. The conclusions reached by these authors are, and I quote, "that rent controls of the type discussed in this paper, (with specified rent increase ceilings), are not an effective response to the problems created by rising rents . . . controls have serious negative economic and social consequences and they are difficult and costly to administer".

A second publication published in October, 1975, under the auspices of the Research and Development Fund and of the Appraisal Institute of Canada was prepared by S. W. Hamilton and David Baxter of the Faculty of Commerce and Business Administration at the University of British Columbia, and is entitled "Landlords and Tenants in Danger - Rent Control in Canada". In the preface to this work, it is stated that, and I quote, "if there is one sure lesson to be learned from the housing market experience of those countries, and that refers to the countries which were the subject of that study, over the last sixty years, it is that rent control is a market malignancy which if not checked early tends to proliferate and to eat not only into all sectors of the housing market but into significant areas of the economy as a whole". The writer of that preface continued that, and I quote again, "rent control is the confidence trick of the century and no effect should be spared to publicize that fact". The authors of the work concluded,

(MR. HAIG cont'd) "clearly, the benefits from rent control are not as generous as the proponents would often suggest especially on a net basis. Under rent control situations, equals are not treated as equals. A low income occupant of a controlled unit may receive the benefits of rent control. A low income occupant of an uncontrolled unit or a low income owner-occupant will not be in receipt of the benefits and in fact may face increased housing costs as the result of the control of other consumer's rents". The authors go on to state that "the tremendous cost to society, tenants and landlords, in order to assure that a few tenants whose incomes are not rising as rapidly as the market demand for rental accommodation would seem to be a rather obtuse way of helping those most in need".

A third publication, and I think the most impressive of the three, is that published in late 1975 by the Fraser Institute, and I brought, Mr. Chairman, a copy along with me. I brought two or three in the event that the committee has not had an opportunity of considering and we'd be delighted to contribute these toward the committee and its members for the purpose of having them examined, not merely what I propose to quote from those volumes, but the subject material as a whole.

MR. CHAIRMAN: I've got a boxful of them.

MR. HAIG: Good. Well, I hope they're all well-worn, Mr. Chairman. Go back to the publication by the Fraser Institute which is an independent Canadian economic and social research and educational organization. Their publication is entitled "Rent Control - A Popular Paradox", and it features a series of commentaries concerning rent controls and the housing problem. Featured in this publication are the works of several world renowned economists including one of the 1974 Nobel prize winners in economics, Friedrich Hayek of Austria, who had this to say about rent controls:

"If this account seems to boil down to a catalogue of inequities to be laid at the door of rent control, that is no mere coincidence, but inevitable."

The second of the 1974 Nobel prize winners in economics, Gunnar Myrdal of Sweden, is described in the text by Paul Samuelson, the 1970 winner of that award, as "an important architect of the Swedish Labour Party's welfare state". It was the same Gunnar Myrdal who expressed his opinion of rent control in his essay entitled "The Rise and Fall of Swedish Rent Control", and in these rather significant words, Mr. Chairman:

"Rent control has in certain Western countries constituted, maybe, the worst example of poor planning by governments lacking courage and vision."

Included in this text is a chapter setting out current facts about the state of housing in Canada with several graphs and tables recently published by CMHC and Statistics Canada referring to new apartment and other housing construction as related to income and vacancy rates. And I suggest, Mr. Chairman, that those are informative graphs and statistics that are well worth examining in detail. In summary these significant facts can be summarized as follows:

1. Housing construction in Canada has exceeded family and household formation in each year for the past 20 years.
2. In 1951 more than one family in ten was not maintaining a separate household. In 1975 less than one family in thirty is not maintaining a separate household.
3. Canadians, on average, have access to 1.6 rooms per person, an increase of 15 percent since 1961, and enjoy a quality and quantity of housing unsurpassed in the world.
4. While in 1951, 43 percent of Canadian homes were without piped hot and cold running water, this has dropped to 4 percent in 1974.
5. During the five year period 1965 to 1969, the cost of rental accommodation in Canada rose by 14.1 percent. In the most recent five year period 1970-1974 inclusive, the increase was only 8.14 percent. During the same period, homeownership costs rose 40.8 percent as compared with 28.9 percent in the 1965-1969 period. Those are very revealing figures.
6. The sixth point from this report, Mr. Chairman, is that since 1961 personal disposable income has risen by 220 percent whereas rents have risen by 30 percent, homeownership costs by 127 percent and the general cost of living by 67 percent.
7. The latest information available indicates that shelter expenditures absorb about 16 percent of the average Canadian family's income whereas in 1962 that percentage

(MR. HAIG cont'd) was nearly 19 percent. The same data indicates that the average Canadian family spends more on recreation, tobacco, alcohol and automobiles than it does on shelter.

8. The eighth item from that report, Mr. Chairman. Housing conditions that prevail in 1975 were perfectly foreseen and documented in a government study in 1970 and were anticipated by a Royal Commission as early as 1966.

9. The proportion of apartment construction out of a total residential construction will fall to a lower level in 1975 than it has been since 1962. And I think the facts subsequently have demonstrated that that conclusion was correct.

10. And lastly from this report. Rents will have to rise in the future to offset increases in costs and changes in Federal Tax legislation."

The author of the report then offered three conclusions which he felt must be reached, and we offer for your consideration:

"1. There is no housing problem for the average Canadian.

2. The problem, in the words of The Real Poverty Report, "is not that there are not enough decent houses to go around; the problem is that the poor do not have enough money either to rent or to buy them."

3. And the third conclusion. The solution to this "housing problem", is probably not to be found in a further round of interventions in the housing market." And the suggestions in that of course, Mr. Chairman, is that we may be directing our attention in this legislation in the wrong direction towards finding a solution.

Following another chapter in that report in which the author discusses the concept of rent control, there are a series of chapters which show the repercussions of rent restrictions and controls in many countries throughout the Western world and the rent control of course, is not a new experience nor are the results which flow from it. These include Austria, France, the United Kingdom, the USA, and Sweden. In every case, the authors refer to the inequities and injustices to particular groups, the drying up of capital for investments, the shortages that develop in accommodation, the deterioration of existing accommodation, and the many other severe problems, all of which the several authors lay at the door of rent control. Without exception, the writers came to the same basic conclusion, and it is this: - that rent controls are not a solution, they should not have been entered into in the first place, and where they have been imposed, they should be abandoned as soon as humanly possible.

For the many, many reasons so carefully and clearly detailed in these authoritative publications, and to which I and those I represent here today fully subscribe, it is not possible to conclude that the passage of Bill 19, howsoever it may be amended, can succeed in either of its announced purposes. In short, Mr. Chairman, in the Association's view its passage would be a disaster!

Before this legislation be imposed on the citizens of Manitoba by our elected representatives, we must first ask - at what cost to the community and its citizens? Let us look closely at some few of these costs:

1. We would have a system of rent controls imposed on all rental accommodation which makes no differentiation between those below or near the poverty line and thus requiring assistance, and I think deserving of it, and those who would qualify as self-sustaining. It would apply to all those who have chosen to rent rather than own their living accommodation. Thus, the legislation encompasses large numbers of both tenants and landlords who have neither the need nor desire to receive the hoped for protections sought by this legislation. This can only result in new inequities, long delays and higher administration costs, in order that the administrative machinery can deal with the substantial number of cases that ought not to fall within the impact of the legislation in the first case.

2. In many cases, considerable hardship, and in some cases, extreme hardships, will be caused to landlords who by Bill 19 would be subject to rental control. From this evening's experience and those which have preceded it, I am convinced that this committee has had a well documented case to demonstrate that that is so. Consider, for example, the large group of landlords, who, year after year, have continued to provide clean and comfortable living accommodation at reasonable levels. Might I suggest, Mr. Chairman, that the public record demonstrates that an overwhelming majority of

(MR. HAIG cont'd) landlords in this province fall within that category. As we all are well aware, landlords were faced, during the year 1975, with rapidly rising costs of operation, including realty taxes, utilities, maintenance costs, repairs and so on. Those unlucky ones whose mortgages came due and required refinancing during this time were faced with interest rates several percentage points higher than those in effect when the original financing arrangements had been made. And since the time this brief was prepared, Mr. Chairman, the Bank of Canada has again increased the basic rate which usually, invariably, I would say results in a further increase in mortgage lending costs. Most landlords were required to increase their rentals for the forthcoming year by 15 to 20 percent, and in a few cases more, not for the purpose of increasing profits but merely to meet these escalating and uncontrollable costs. New lease arrangements were made with their tenants, and these tenants, realizing that the landlords required rental increases in order to adequately maintain the rented premises and to eke out their own living, agreed to those increases. We recognize that many of the tenants were not happy with the rent increases. None of us are. The only increases we are pleased with are pay increases. None of us are happy with our realty tax increases, gasoline tax increases, hydro rate increases, telephone rate increases, nor income tax increases, nor heating increases, and not to mention the cost of food and everything else that we live with from day to day. But at the same time most of us are prepared to accept these increases provided they are within reason and appear justified.

However, one of the results of Bill 19 will be to unjustly and unfairly set aside all of the many rental agreements entered into after July 1st, 1975, and to say to all of those landlords and tenants that their agreements were no good because the government, in its wisdom, says that anything over a 10 percent increase is too high and is not going to be allowed. A figure, by the way, arbitrarily selected, which bears no relationship to the realities faced by the landlords. Mr. Chairman, I suggest that such action is morally, if not legally, wrong. It is retroactive legislation at its worst. It would be bad enough were it to limit increases from the date that the bill was introduced, or even better still, from the date of passage of the legislation, but to go back beyond even Mr. Trudeau's pronouncement is absolutely indefensible.

3. When Mr. Turnbull spoke at the Landlords Association meeting that I've referred to earlier, he was asked by a member of the audience to justify the date of July 1st, 1975. The only reason he gave, Mr. Smethers recalls, was to the effect that most leases were entered into between July 1st and October 1st, and thus it was felt by those who prepared the legislation that it should include all of those leases.

Mr. Chairman, we suggest this is hardly a valid reason, let alone an excuse for this retroactive provision. It unfairly penalizes every landlord, who, without the knowledge of any restrictions or legislation, (of course, at that time there were none), is now told that he must repay any increases over the specified 10 percent figure, whether or not a 20 percent increase was needed to cover his increased costs let alone a higher return to offset the effect of inflation on his own personal requirements and on his investments.

Worse than this, what about all those landlords who purchased their properties after July 1st, 1975, and before the legislation was made known to the public? In many of those cases, rental increases had been put through quite properly by the selling landlord prior to the sale taking place. Selling prices of those properties had been predicated on certain assumed rental income. The sale would have taken place on that basis, and in fact did, and mortgage financing would have been arranged on that basis. Suddenly along comes this piece of legislation that says to the new landlord that you, Sir, Mr. X, must reduce the rents you are charging; not only that, you must pay back any rent in excess of the 10 percent allowed which each tenant has paid after the July 1st, 1975, whether or not you yourself have collected that rent. Now, gentlemen, not one of you would pretend publicly or privately that such a situation is truly fair and reasonable and yet in our view, the bill would have this effect.

4. Let us look at the figure of 10 percent set in this legislation, it appears a figure literally picked from the air. Mr. Turnbull acknowledged to the members of the Association that there was no particular rationale to the figure, and that it was not based

(MR. HAIG cont'd) on any specific data available, but it was chosen because it seems to be a fair figure. Fair? Well, it's less than the current increase in government expenditures, it's less than the increase in government revenues, it's less than the effective current rate of inflation - fair is fair to all, not just to some. We submit that this is simply not good enough, that anything so important and wide-ranging as this purports to be should be strongly and clearly supported by facts and figures. Frankly we recognize the difficulty since every landlord's situation is different. Some own their properties outright, others have mortgages with relatively low interest rates, and relatively longer terms; still others have mortgages with the high rates which are currently in effect; some operate units which are individually metered for electricity so that the tenant bears the costs of his own consumption. Others have properties where there is one meter responsible for metering all units and the landlord has no control over the use of power and as follows no control over the ultimate costs of consumption. The costs of power can get completely out of hand without the landlord having any recourse whatsoever to recover such costs. Obviously, what is fair and proper in one case, Mr. Chairman, cannot be in another.

5. We briefly referred earlier to another hardship befalling many landlords, namely those who find themselves in the unfortunate position of having to refinance their properties during this period. May I refer you to one example only which will illustrate the problem. A fellow Manitoban constructed an apartment block about four and a half years ago. He obtained a mortgage on that block at the then current rate which was 9 1/2 percent per annum, and as has been the practice in the finance industry for the past several years, the mortgage had a five year term. It will therefore be coming up for payment or for renewal, and the renewal of course must be on the then current terms within a few months time. He has had some preliminary discussions with the mortgage company, and they have indicated to him that they are not sure whether they will be renewing his mortgage because they are concerned about their security on all rental accommodation. One thing this person does know - if he is fortunate enough to be able to renew the mortgage, then he is going to be faced with an increase in the interest rate of at least 2 percent per annum. It may be even more. He has calculated that an increase in the mortgage interest rate from 9 1/2 percent to 11 1/2 percent per annum will necessitate an increase of 10 percent in each suite's rental over the current rental rate to meet these interest costs alone. And I know, gentlemen, that all of you are fully aware that these are only a small part of the costs. This leaves absolutely nothing for the other increases in operating costs with which he is constantly faced. He, and every other landlord in the same predicament, (and there are I submit, Mr. Chairman, many), would be forced to apply to the Board or the Review Officer for special permission to increase rents in order to cover the increased costs, and again I say, provided he is lucky enough to be able to arrange new mortgage financing in the first place. And if I might add to the brief, provided he is able to have his application dealt with expeditiously enough to ensure that he gets his mortgage financing when he's required to have it. Because in my experience in these things, you don't have that much time, you either arrange your mortgage financing or you pay it off and you do it promptly.

6. This raises another point, and that is that legislation like Bill 19 will undoubtedly add to the fires of inflation because mortgage lending rates on rental accommodation will likely rise to offset the increased risk in properties becoming unviable or ceasing to be viable operations. Any increase in the mortgage rate will then have to be passed on in the form of simply higher rents. As you can see, this is self-defeating.

7. It should not be forgotten that not only is the taxpayer, through government, going to have to incur the substantial costs in setting up the administrative machinery to handle the hundreds of applications it will undoubtedly receive and all of the review mechanism that is going to be necessary to look into all of these cases and to assess them, but it would cost each and every landlord a substantial amount of time and money in preparing his case properly for submission to the Review Officer or Board. And these costs cannot be ignored.

8. I have been referring primarily to the many hardships to landlords and I think a great many other people appearing before you have done that too. But I think you should not come to the conclusion that the hardships rest only on the landlords. A

(MR. HAIG cont'd) large number of tenants in our view will also suffer severely from this legislation. I referred earlier to the Fraser Institute publication. In it the authors detailed many of the hardships, some of which can be synopsized as follows; it is their conclusion that as a result of control:

- i. Shortages of accommodation will quickly occur, thus requiring great effort and time for those trying to find suitable accommodation.
- ii. Deteriorating accommodation will be caused by the cost squeeze placed on landlords, who, even though they may wish to maintain their properties at reasonable levels, will not, in many cases, be able to do so because they simply do not have the money to spend on the premises.
- iii. Those persons who are living in rental accommodations covered by the legislation will not want to move out of such accommodation into newer and more modern units constructed after January 1st, 1976, because to do so will mean that they will lose their rental protection and will be subject to increases in rent at the whim of the new landlord, and as these landlords' costs of construction and operating will likely be increasing at substantial rates also, then the rentals on such newly constructed accommodation may well increase at a rate considerably higher than that allowed in controlled accommodation.
- iv. Many people, for the same reasons, will not be able, or will not want, to move to locations that are closer to their place of work or to other desirable amenities purely and simply because they will not be able to find suitable accommodation at anything like the rental that they are paying in their present location. They will therefore interfere very strongly with tenant judgment and tenant decisions as to where they should live and ought to live.

v. Another possible outcome of the legislation is what one of the authors in the Fraser Publication refers to as the "boomerang" effect which occurred in Vancouver under the British Columbia rent control legislation. The author in the report details the comparison of Toronto and Vancouver rents, and found that on average over the period from 1961 to 1973, the increases in rents in Vancouver were 2.4 percent; the average increases in Toronto 2.5 percent. Following passage of the rent control legislation in BC, rents in Vancouver inflated at a rate 75 percent faster than rents in Toronto which did not have rent controls. Estimates for 1975, based on the first five months of that year, suggested that by the end of 1975, rents will have increased about 11 percent over their 1974 levels in Vancouver, and by only 7 percent in Toronto.

9. Another of the costs to the public of Manitoba that may not generally be recognized, Mr. Chairman, will be the slowdown in private construction and you've listened as I have this evening to those people who have been responsible some of them for a substantial of the construction that we need, saying that it will result in a slowdown resulting from this legislation because they simply can't afford to build economically the kind of units that are required under these circumstances. It's being contributed to in part by the present high cost of borrowing as well as the legislation affecting rental accommodation, but Bill 19 will, Mr. Chairman, we submit, make it worse. Thus, in order to maintain a minimum level of new rental accommodation, and remember of course, gentlemen, we are losing some rental accommodation through attrition, through age, through inability to maintain code standards and other things of that kind. There is a certain amount dropping off the bottom end all the time. It will undoubtedly be necessary for the province to erect the buildings themselves or to pay substantial construction subsidies. And I think that this is not something that in these difficult times the province wants or particularly needs. While it is recognized that in the early stages of rent control the government may be able to find the money for the construction of public housing, (and I believe Mr. Turnbull has recently mentioned a figure of \$70 million for this year), the longer that rent controls remain in effect, the more difficult it becomes for the government to provide such housing. Experience in Sweden and other countries has demonstrated that government housing ends up costing the taxpayers money since the rentals charged will not cover the expenses over the term of the home ownership by the government involved. Professor Hayek refers to this very problem in his paper, as does Sven Rydenfelt in his essay entitled, "The Rise and Fall of Swedish Rent Control." In this latter essay, the author traces the experience of rent control in Sweden from the time it was imposed, in 1942 during the war - not many will remember

(MR. HAIG cont'd) that far back but some older fellows like Mr. McKenzie and myself will recall the rent controls at that time in Canada and elsewhere - until the present time when in Sweden to all intents and purposes rent control has been abolished.

And so it goes, Mr. Chairman, there are costs upon costs, hardships upon hardships. Surely one startling point emerges from these reports, from the studies and from the case histories. Rent controls are not the answer to the problems which were indicated we were seeking to meet. Is there not some alternative to all this - an alternative reasonable to all parties caught up in this web of difficulties; at the very least, one that is preferable to rent controls? Such an alternative to be acceptable to the government would have to be one which fills as many of the following criteria as possible. It should be an alternative and I think these criteria are of value to you, Mr. Chairman, it must be fair to tenants, it must be the criteria; one that will provide a simple confidential procedure whereby those tenants who feel aggrieved by rental increases can have the matter looked into and corrected if necessary; one that will encourage responsible behaviour on the part of landlords; one that will prevent those landlords who try to exact unjustly large increases in rentals from their tenants from doing so; one that will not unfairly penalize the responsible landlords; one that will be simpler and less costly to administer; one that will not impose a braking effect. Nothing should happen that will slow down private construction and ownership of rental accommodation, if we can help it; one that will not cause an upheaval at such time as the program is rescinded at the future day, because, Mr. Chairman, there is a terrible fine danger that controls of this kind have a damning effect and when they are removed, as ultimately they must be, then the condition of the tenant becomes absolutely intolerable, and the amount of increases necessary simply to maintain rental accommodation becomes so great that real hardship, not imagined hardship or illusory hardship, but very real hardships breaks a large percentage of the population; and lastly, Mr. Chairman, the program must be one that can be implemented as easily and quickly as an alternative to the proposed legislation.

We realize that it is difficult to imagine some alternative that meets most, if not all, of these criteria. However, in the hopes that we might be of some assistance to you, let us suggest the following for your consideration:

It is our submission that there be no imposed limitation on the amount of rental increases that can be put into effect. However, by amendments to the Landlord and Tenant legislation, presently in being, provision could be made whereby any tenant who feels that his rent is being unfairly increased may make a complaint to the Rentalsman or to a Review Officer. The legislation would provide that on receipt of such complaint, along with whatever details can be given by the tenant, the Review Officer will mail or deliver an appropriate notice to the landlord stating that a complaint has been received, calling upon him to provide on a confidential basis, and in an appropriate form enclosed with the notice, the particulars of the rental income and expenses of operating the rental property during the preceding year, (or years), and those experienced in the current year, (and if necessary by projection). This information would have to be provided by the landlord within a reasonable time, otherwise the Review Officer, through the legislation, would be empowered to order a rollback in the rent. On the other hand, if the landlord provided the information requested, it could then be reviewed by the Review Officer at which time a decision would then be made by him. If the decision is to be against the landlord, then notice would be given to the landlord of the intended decision and asking if he wished to meet with the Review Officer in order to discuss the proposed decision. The notice would also specify a time by which such meeting must be held. If, following the meeting, or the time specified, the Review Officer was still of the same mind, he would then formally make his decision and so advise the landlord and the tenant in writing. The legislation would then provide a right of appeal by the landlord to an appropriate body set up for that purpose in such a way that all such appeals could be heard and without any undue delay. I think one of the concerns always, Mr. Chairman, in procedures of this kind, is the fact that delays can occur and occur so readily, and invariably delays create tremendous hardship on all parties.

The advantages of such a procedure, as far as we can see, is that such a procedure answers most, if not all, of the criticisms of the present situation. It avoids the problems of rent control, it meets the nine criteria which I read to you and, perhaps

(MR. HAIG cont'd) most important of all, is fair to all concerned, while at the same time enabling the province to carry out its expressed aim of fighting inflation and encouraging new construction.

Undoubtedly, many further improvements in the legislation could be suggested and will be suggested by the members of your Committee when you finally have an opportunity to consider the briefs you have received.

But, Mr. Chairman, without reservation, we would urge you to consider all of the points referred to in our brief, and hopefully, not only from our standpoint but from the standpoint of tenants, of the people of the Province of Manitoba, that you will find these suggestions helpful and that you will carry them out.

We do not wish to detract from the urgency of avoiding rent controls, Mr. Chairman, or to minimize the importance of adopting alternatives of the kind that we have suggested to you, or some other reasonable alternatives, nevertheless we would not wish to overlook certain specific items in Bill 19 which we do feel require amendment should you, for some reason, decide to proceed with this Bill. Accordingly, I'd like to refer you to these specific items, which we feel require amendment or deletion. These are in addition, of course, to those already mentioned such as the rollback provisions and the 10 percent limit on increases.

Section 2(2) sets out certain exemptions from the Act, and frankly the reasons for these are not too apparent to us, and we would really question their inclusion in the bill.

It is difficult to understand why premises administered by the Government of Canada or of Manitoba or of a municipal agency should be exempt? Perhaps to the extent that rents are based on a fixed percentage of the tenants' income, some exemptions may be defensible, but are they all so based? Not, Mr. Chairman, insofar as we are aware. If not, why then should rents on government rental units be allowed to be raised more than those of the private sector, because that's the implication which arises from lack of control.

Mr. Turnbull has publicly stated the reason for exempting new premises after the 1st of January 1976 for five years. Although, as previously mentioned, we do not believe the provision will have this effect, we at least can understand the logic of it, but it strikes us as being unfairly prejudicial to the unfortunate landlords who happened to complete his building and have it rented out just prior to the 31st of December. He is given no relief at all by the legislation, and I think that all of you will acknowledge that the situation didn't suddenly change in 24 hours. One man's property is controlled, whereas premises under construction in December and not rented out until January or February are uncontrolled, does not seem fair.

Why should co-operative corporations who rent out residential premises be exempted from the legislation? To the extent that the premises are occupied by member owners, we can understand the exemption, but if such premises can be rented to non-member owners, then we feel the premises should be, and must be covered by the legislation.

We do not understand the purpose of clause (h) which allows the government to exempt any kind of residential premises tenancies from the legislation. There's really no indication of what the government has in mind when they proposed this. We suggest that they do have something in mind, that they should be communicated to us and made known if we are going to comment intelligently on them. An all inclusive clause of this type, can only lead to difficulties in the future in legislation, because of the tremendous uncertainty it involves.

Section 12 of the bill provides that rent can only be increased after a period of 12 months from the last increase in rent; 13(1) limits the increases in the period from the 1st of July '75 to the 30th of September '76, to 10 percent. As we understand these two sections, their combined effect can be to result in a freeze on rent for much longer than the period ending the 30th of September 1976.

To illustrate our concern, let us take the case of a landlord who renewed a written one year lease with a tenant commencing July 1st, '75, at a rent 20 percent higher than that in effect in the preceding month. And for the purpose of the example let us assume that the rent in June, 1975, was \$150 per month. The 20 percent increase

(MR. HAIG cont'd) of \$30.00 a month commencing the 1st of July only covered the landlord's increase in operating costs. In other words, gentlemen, the landlord did not receive one penny of the increase for his personal income. The effect of the bill would be to require the landlord to pay back the tenant the sum of \$15.00 per month from the 1st of July to the date on which the legislation comes into effect. In other words, the effective rent has been set at \$165.00 per month commencing the 1st of July 1975. That's not the period contemplated by Section 13.

Mr. Chairman, there is a section in the Landlord and Tenant Act, that requires the landlord to give a tenant at least three months notice of an increase in rent. There is another section in that Act, 103(7), which provides that the landlord is required to submit a new tenancy agreement three months prior to the expiry of the existing agreement. The section goes on to state that the new agreement must be for a 12 month period unless mutually agreed to the contrary. Therefore, in the example that we are using, Mr. Chairman, the landlord would have to give notice to the tenant no later than the 31st of March, 1976, of the increase in rent and also the new one year lease.

Here is where the rub comes. Under Section 13(1) the maximum increase allowed over June, '75 is 10 percent. The tenant is already paying that amount - in other words, under the \$165.00 per month, then the renewal lease commencing the 1st of July, 1976, will have to be at the same rental of \$165.00 per month for the year ending the 30th of June, '77. In effect, then, the rent has been frozen at \$165.00 per month, not for 15 months, but in reality, for 24 months. Thus the rent in every lease in Manitoba that was entered into or renewed in the period of July 1st to September 30th, will be frozen to a maximum increase of 10 percent, not until the 30th of September, Mr. Chairman, as stated in the bill, but until at least July 1st, 1977, and in some cases, as late as September 1977. (I might say that this also encompasses two municipal tax years in the impact of municipal tax increases which are - well they are certain as death, and to have two of them coming within a fixed rent period will render the situation economically impossible for the landlord.) The only way that we can see to avoid this calamity is, if the legislation is not changed, would be for the landlord to apply for relief under the amendment that the Honourable Minister has referred to on some occasions. But, Mr. Chairman, think of the number of applications to the Review Officer that are going to be necessary because of the effect of Bill 19 combined with the existing legislation in the Landlord and Tenant Act. Practically every lease begins in the period 1st of July to the 30th of September. That is residential lease. That could well mean tens of thousands of applications would have to be made for relief from this bill. It would be an incredible, and I think, Mr. Chairman, almost an impossible situation.

Another deplorable effect of Section 12 is that a landlord who has a tenant move out on him within the 12 months of the last rent increase will not be able to increase the rent of that unit to cover the costs of redecorating or renovations that may be necessary before the suite can be rented to another tenant. We then get into the rather dicey area, Mr. Chairman, of Capital Expenditures for which there is no capacity for recovery under control system, but every landlord is familiar with the fact that in addition to regular maintenance costs which are part and parcel of his operating experience and for which he budgets, he is constantly being faced with expenditures of a capital nature for which no consideration seems to have been given up to this time.

Mr. Turnbull announced that he will be proposing an amendment to Bill 19 which will allow applications for relief from the 10 percent limit. We haven't had an opportunity of seeing the proposed amendment, and it is rather difficult to comment on it, but we would hope, Mr. Chairman, that the amendment would include amongst other things at least these provisions:

Provisions spelling out the basis upon which an appeal will be allowed; a formula for calculating allowable increases or at least the factors to be considered in such an application; provide that such an application will relieve the landlord from having to make the refund called for by the Act until his application has been dealt with by the Review Officer or Board. As previously mentioned, there will be, undoubtedly, a flood of such applications, and it's necessary that the guidelines be set up as early as possible in order to assist the landlords in determining the likelihood of their applications being successful. Obviously from the evidence you've had, the continuation of some of

(MR. HAIG cont'd) them as landlords, will be dependent upon, not only the favourable consideration by such a board, but early consideration.

Try as we might, Mr. Chairman, we have not been able to understand the import of Section 13(2)(b) or what it's intended to accomplish, and we think in passing, it may be that the draftsman has failed you.

We feel that in many cases the time requirement for payment of the refund will create considerable hardships as to the landlord's cash flow, and his position could be badly undermined as a result of that. There's been no opportunity for any kind of forward planning and when you look at the amount that might be required to be paid, it could cause serious financial difficulties to landlords, and I'd just like to add: (When a landlord is in financial trouble, the tenant shares the trouble because the quality of the maintenance and service in the rent of accommodation is the first thing that suffers when a landlord is short of money.)

In view, Mr. Chairman, of the widespread effect of this legislation, not only at the present time, but in the future while it remains in effect, we submit that the specifying of amounts of allowable future rental increases, or formulas for their calculation, should not be left to the discretion of the Board to do by regulation, but that such an important aspect of the legislation should be retained in the control of the Legislature, or it's the subject of public consideration and debate.

Section 16 seems to give to the Rent Review Officer extremely wide discretionary powers. For example, in dealing with an application for increase, not only must he consider increases dating back to December 31st, 1974, and also matters required by the regulations, (whatever they may be), but also "such other matters as he deems necessary". And we really have no idea, that may be subject to the condition of his stomach on that particular day. There is undoubtedly some wisdom in giving the Rental Review Officer the opportunity of considering other factors, but I think that they should be other factors relating to the particular situation and it's important, I think, that we say so.

We deplore the express intention contained in Section 25 to take away the right of appeal to the Court. The Rent Review Officer and Board are both appointed by the government; the Rent Review Officer by Section 1 of Bill 19 is required to carry out the duties and functions assigned to him by the Board. In other words, he works directly under the Board's supervision. Yet, by Section 21, appeals from his decisions go to the Board which exercises control of management over him. I don't think it was the intention, Mr. Chairman, that you would limit or deny the capacity to appeal, but it's an unfortunate administrative practice that I think we should seek to escape from, having a body which sets up and regulates and controls the operation of one of its officers considering appeals from the exercise of his judgment. Yet, by Section 21, appeals from his decision are made to the Board, and it goes on to provide the Board's decisions are final.

The other evening Mr. Turnbull stated to the Association that this section would not prevent a landlord from applying to the Courts if there had been a denial of natural justice, and of course, Mr. Chairman, Mr. Turnbull was quite correct in what he says, but such actions are not an appeal on the merits of the case, it's rather an action to set aside a decision on the very limited grounds that there has been some failure to observe administrative procedures, not failure, but the actual denial of natural justice. There would be, for example, a denial of natural justice if the Appellant was not given proper notice of the hearing or if he were denied counsel. But it is our submission, Mr. Chairman, that this really isn't enough. The right to appeal a case on its merits to the courts is essential in order to ensure that justice not only can be done but can be seen to be done, because if you make that available to them, we may have a whole new generation of practical lawyers who applied and didn't get into the Bar, but are still functioning without costs.

Section 27, Mr. Chairman, requires the landlord to advise the tenant in writing of the date on which the present rate for the premises became effective and the amount of rent payable immediately prior to that date. Section 28 then goes on to provide that a selling landlord must provide a written statement to the new landlord setting out the rents charged for each suite for a period of at least 15 months immediately preceding the date on which the new landlord acquired the property. You will note, however, that there is

(MR. HAIG cont'd) no provision to take care of the new landlord who purchased the property prior to the Act being passed. This new landlord may not have the required information. It is quite easily possible that he will not be able to obtain it, and yet there is no provision for relief, and I think you will agree, some relief is required to be had in this circumstance. This new landlord may not have the required information and it may be impossible for him to obtain it, and yet no relief is given to him in Section 28.

Section 29 is the Section that makes a new landlord responsible for refunding excess rent to tenants dating back to the 1st of July, 1975, whether or not the landlord had taken over the premises by that date. The section does state that the new landlord is entitled to recover from the old landlord the amount of excess rents that had been paid by the tenant to the old landlord. But it's one thing to have the right, Mr. Chairman, it's quite another thing to be able to enforce it, and again, judgments are an acknowledgment that you are entitled to the money, collecting it, is another ball game. There is no provision to take care of the new landlord in these circumstances. I don't know what we can do to relieve from this most unhappy situation, and I think a most unfair situation. If the old landlord had gone from the province or cannot be located or if he is diseased or bankrupt, and there are a number of those around, there are all kinds of situations that spring very readily to mind, where the opportunity for an innocent new landlord to recover the money that he is required to pay back, have evaporated or gone, or denied by law, and there is no relief offered. I don't think relief is the answer to this particular situation, Mr. Chairman, I think the proper thing to do, is to bring the time frame within the ownership of a current owner, or within the announced time of the commencement of the legislation. Some later date than the 1st of July.

It certainly seems to me, that it's most unfair to impose that responsibility on someone who has neither the power of government to enforce it, nor possibly the information or the capacity to do it. There was no way, Mr. Chairman, that a purchasing landlord could protect himself from this liability, he had no knowledge of this potential liability, no indication of it and in past practice governments have been rather scrupulous about avoiding, if they could, except in tax legislation, retroactive provisions, and this is one of the very good reasons why I do feel relief is necessary.

Before closing, Mr. Chairman, I would like to relate to you very briefly the situation one of our members finds himself in. He's agreed that we should give this information to you to demonstrate graphically the position he will occupy should the legislation be passed in this form. It may not be typical in all respects but we think that there will be a number of cases like it. He retired from his former business in September of 1975, decided to take a substantial portion of his savings and purchased a 72-unit apartment building in Winnipeg. The total price was \$980,000 and he financed it by assuming an existing first mortgage of \$744,000 at 9 3/4 percent. The interest payable is \$74,520 per year. I'm sorry, the amount of payments are that and the mortgage matures the 1st of August 1978. Also in purchasing the property, he assumed an existing second mortgage of \$125,000 at 14 percent, interest payable \$1,500 per month, also maturing the 1st of August, 1978. The balance of the purchase price was financed partly by a second mortgage on other property that he and his brother owned in Alberta and \$30,000 he laid out in cash. It was an investment for his retirement. He's managing the block, he acts as the caretaker and this is his sole income. The block is now fully rented although there were at the time of purchase a few vacancies.

In 1975 the total monthly rent on this block came to \$13,110.75. Although at that time the overall rent increase was less than 10 percent, there were several suites where the increase in rent was more than 10 percent. If the rent on all units is restricted to the 10 percent increase as of the 1st of July '75, the total roll back of rent during the period from the 1st of July to March 31st will be \$1,523.00. In other words, Mr. Chairman, that is the amount that he is going to have to take out of his own pocket at this time and pay back to the tenants. A portion of this, approximately \$223, he can look to the previous owners to recover. Most of the increases in rent, however, although instituted by the former landlords did not come into effect until the month of November and December.

(MR. HAIG cont'd) Other than the fact that some of these increases were less than 10 percent, the maximum monthly rental which this gentleman will be able to obtain on the 72 suites until later in 1976 will be \$13,903. Let me refer you back to the costs that he's faced with. Therefore his total rental income in March '76 was \$14,282. Therefore his rental income will be reduced by \$375 per month by the legislation. In addition, he had announced rental increases early in the year of an amount not more than 10 percent which when implemented would have given him a total rental income of \$15,662 per month for the next year.

In 1975, his total operating expenses not including mortgage payments were \$57,687. The main items of which are realty taxes, hydro, which unfortunately is on one meter, supplies, cleaning materials, other materials, water, cable TV, etc., the amenities and facilities that he's required to provide. Based on his projections for 1976, a 17.8 increase in taxes, a 20 percent increase in the basic electrical charge, but a somewhat higher projective expenditure in actual dollars because of the increased usage which he cannot control, 30 percent increase in the cable TV rate, a 50 percent increase in the water rate, and an increase in insurance rates in the amount that we can't get ascertained, he is projecting total monthly expenditures of \$70,580, an increase of \$12,900 for the year, a 22 percent increase over the 1975 figures.

Now, Mr. Chairman, his total income assuming 100 percent occupancy during the year will be \$186,252. This includes rental income in the suite, income from parking, washing machines, soft drink machines, everything that he can get in apparently. On the other hand, his total expenses including operating expenses, payments on the first and second mortgages and on the Alberta property required to be mortgaged, come to \$181,352. That leaves an income of \$4,900 for the year to pay him for managing the block and acting as caretaker, and it doesn't require very sophisticated mathematics to see that doesn't yield the five percent management fee that's considered customary, or the four percent fee. When you realize the management fee in a block of this kind is four percent, a caretaking charge would be around \$5 per suite, then you will realize, Mr. Chairman, this person is going to be working for less than one half of what should normally be paid for these services, and I suggest to you that this is not an abnormal situation. There is one small advantage he receives. His mortgage payments include principal and interest. We calculated out the total amount that we applied on principal during 1976 on all three mortgages. That would come to \$3,575. The amount represents the increase in equity in his block in 1976. It should be kept in mind, however, that he had an investment of \$30,000 and on the above figures you will realize that he's not receiving any return on that cash investment.

Mr. Chairman, I think you will agree that the foregoing story of just one person who has worked hard all his life, saved his money, invested it in an investment he had reason to believe was prudent and one that he hoped would take care of himself and his wife during their remaining years, is now about to be turned into a horror story. He's invested \$30,000 in cash, he is about to have to pay over \$1,500 in refunds to his tenants, he's going to have a cash flow of about \$1,500 or \$1,600 a month less than he was anticipating - and keep in mind this restrictive cash flow will of necessity last into 1977, not just until September of this year - and that even if he keeps every suite rented for the whole year and does not run into any repairs other than normal maintenance, he is still going to be able to earn a maximum figure of \$4,900. All of his caretaking, all of his management and absolutely no return on the investment. All he needs is a vacant suite or a few repairs and that is lost.

Gentlemen, that's the story of one man but it's illustrative of the kind of situation that I think is much more widespread than most people would appreciate in a situation such as controls would create. It doesn't make for very good listening and you can imagine how he himself feels. We would urge you gentlemen to consider not only for this gentleman's sake but for the sake of every person who lives in this province, the critical nature of what you're considering. The enactment of this bill in pursuit of the announced objectives of the government is understandable. The purposes enunciated are understandable; that the bill is not capable of achieving these, is strongly put by us, Mr. Chairman.

(MR. HAIG cont'd) . .

My association wishes to thank you for giving us this opportunity to present our story to you for your earnest consideration. We await your decision. The responsibility of that decision, gentlemen, is yours but the burden of the decision will be on the people of Manitoba. Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Haig. Any questions? Hearing none, thank you.

MR. HAIG: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Ray Massey.

MR. . . .: Mr. Chairman, I move the committee rise.

MR. CHAIRMAN: Move the committee rise?

MR. . . .: Mr. Chairman, before we rise, could you find out perhaps how many people are here that are still intending to present briefs?

MR. CHAIRMAN: Good idea. I have on my list Mr. Ray Massey, Mr. H.A. Friesen, Mr. P.E. Kostas, Mr. Harvey Williams, Mr. Bernard Oster, Councillor Frank Johnson, Mrs. Anne Ross, Shirley Williams Fowler, Mrs. Merle McCullough, Mr. L.B. Alsop, Mr. R. Dubbin. It is my understanding that the committee will meet again Thursday morning at 10 a.m.

Committee rise.