

RENT CONTROL AND RENT DECONTROL IN BRITISH COLUMBIA:
A CASE STUDY OF THE VANCOUVER RENTAL MARKET, 1974 TO 1989

By

CELIA C. LAZZARIN

B.A., The University of British Columbia, 1982
B.S.W., York University, 1987

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Department of Graduate Studies

The University of British Columbia
Vancouver, Canada

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ABSTRACT

This study examines the impact of rent control and rent decontrol on the rental sector. The city of Vancouver is used as an empirical case study to determine the accuracy of the assertions and predictions made by rent control opponents about the nature of the impact of British Columbia's rent control policy. The study begins with a review of the rent control literature in order to identify the theories presented by rent control opponents and supporters. The study then reviews the political debate over rent control and decontrol. A chronological summary of British Columbia's rent regulation system follows which illustrates the action taken by the politicians. Finally, the assertions and predictions made by rent control opponents about the impact of rent control are assessed by comparing them with the practical experience of Vancouver's rental market from 1974 to 1989.

Rent regulations were in effect in British Columbia from 1974 to 1984. This study focuses on three particular stages during the period rents were regulated: a) the introduction of rent control from 1974 to 1975 by the New Democratic government; b) the beginning of rent decontrol from 1977 to 1978 by the Social Credit government; and c) the elimination of rent control and rent review from 1983 to 1984, also by the Social Credit government.

Rent control opponents argue that rent control causes the following detrimental effects: a) decreases rental construction; b) reduces building maintenance; c) increases conversions from rental units to condominiums; d) increases demolition of rental

buildings; e) creates excessive demand for rental housing; and f) reduces the municipal tax base.

The most important finding is that there is no discernable relationship between the nature of the regulatory framework and the level of rental construction, rental conversions to condominiums, and demolition of rental stock.

The study concludes that it is much too simple to blame one government policy--rent control--for the problems of the urban rental sector. It is clear that the problems are deep-rooted and that a combination of many macro-economic factors such as high and unstable inflation and interest rates, and the general economic climate can have a greater impact than the regulatory framework on the rental sector. In addition, demographic factors such as provincial rates of migration can have a very significant impact on demand in the rental sector.

More empirical studies are needed to build on this study to better assess the impact of rent control on Vancouver and other cities in British Columbia. Research is also needed to assess the accuracy of the claims made by rent control supporters in order to determine whether they comprise valid criteria upon which to formulate rental policy.

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CHAPTER ONE

INTRODUCTION

There is no question that Canada's private rental market is unable to provide all tenants with adequate housing at a price they can afford. In the words of one housing analyst:

There is no doubt that [an affordability] problem exists--that a sizable group of renter households have incomes insufficient for them to be able to afford adequate housing on the private rental market.[1]

Rental problems, including that of affordability, are exacerbated during periods of increased demand and reduced rental housing construction.

One of the common responses to problems in Canada's rental sector is the introduction of rent control legislation by provincial governments as a method of protecting tenants. During the early 1970's, when problems in the rental market intensified, all Canadian provinces introduced rent control (except Quebec and Newfoundland where rent control already existed). Rent control still exists in some form in all provinces but British Columbia, Alberta, and Saskatchewan. Although Saskatchewan decontrolled rents it still maintains a tenant-initiated review procedure. New Brunswick also eliminated rent control in 1979 but then re-introduced it in 1983.

Rent control was terminated in British Columbia in 1983 because the provincial government viewed it as a damaging policy that only exacerbated rental market problems.

1. Clayton Research Associates Limited. Rental Housing in Canada Under Rent Control and Decontrol Scenarios 1985-1991, Toronto: Canadian Home Builder's Association, 1984, p. 23.

This position was based on neo-classical economic theories which claim that rent control inevitably produces a host of detrimental effects.

By analysing Vancouver's rental market during and after the 1974-1983 rent control period, this study assesses the validity of the major claims and predictions of those who opposed British Columbia's rent control policy. Given the severity of the problems in the rental sector, it is particularly important that the theoretical framework used by government for developing policy for this sector be reliable.

This study focuses on three distinct periods during which rent controls in British Columbia were in place: a) the introduction of rent control from 1974 to 1975 by the New Democratic government; b) the beginning of rent decontrol from 1977 to 1978 by the Social Credit government; and c) the elimination of rent control and rent review during 1983 and 1984 by the Social Credit government.

Vancouver has been without rent control for seven years since the provincial government officially terminated the policy in 1983. The city is currently experiencing the same rental market conditions that led to the introduction of rent control in 1974: vacancy rates are extremely low (0.3% in October 1989), rents are increasing significantly and there is a shortage of affordable rental housing. In addition, large segments of the public are demanding the provincial government re-introduce rent regulation.[2]

In view of the present situation, it is important and timely to examine how rent control affected the city and to determine whether or not the negative predictions about rent control were correct. By analysing these predictions it is hoped that this thesis clarifies some of the

2. Newspapers have been filled with accounts of huge rent increases and with demands for the government to put an end to "gouging". See for example, The Vancouver Sun, 15 January 1990, p. D10; The Vancouver Sun, 16 January 1990, p. B1; The Vancouver Sun, 17 November 1989, p. B1; The Vancouver Sun, 8 December 1988, p. A3;

arguments over rent control which, up until now, have been shrouded in theory but not in empirical evidence.

This study does not analyse whether or not rent control is an effective policy and does not conclude whether or not the government ought to implement this policy. In addition, it is not the purpose of this study to evaluate those theories which are put forward by rent control supporters. Instead, the purpose of the thesis is to use British Columbia's experience with rent control and decontrol to empirically test the assumptions maintained by opponents to rent control.

Rent control is a most contentious issue. There are many strongly held views about how rent control works, the benefits it produces for tenants and the harm it causes landlords. Rent control is an issue that affects the whole community, not just those in the rental sector. The way people are housed and the condition of the rental stock are of concern to everyone.

Although theories of rent control have been covered extensively in the literature, there have been no studies which analyse the impact rent control has had on British Columbia or on any cities within the province. There is also no complete history of the evolution of rent control policy in British Columbia. There are some studies and books which provide general information about British Columbia's rent control system and some economists have analyzed particular dimensions of rent control.[3] Aside from these few studies one is struck by the

3. For background information see Karl Jaffary, Chairman of the Interdepartmental Study Team on Rent Control in B.C. Housing and Rent Control in British Columbia (Victoria: Ministry of the Attorney General and Ministry of Housing, 1975); Dallard Runge et al. A Comprehensive Social Housing Policy for British Columbia (Victoria: Department of the Attorney General, 1975); George Klippert, Residential Tenancies in British Columbia (Toronto: Carswell Co., 1976); and Stanley Hamilton and David Baxter, Landlords and Tenants In Danger: Rent Control In Canada (Winnipeg: Appraisal Institute of Canada, 1975).

One economist who has focussed on specific dimensions of rent control in B.C. is Denton Marks. See for example, "The Effect of Rent Control on the Price of Rental Housing: An Hedonic Approach," Land Economics (February 1984):81-94.

paucity of empirical research concerning the impact of rent control on this province. This study is, therefore, a response to the present lack of empirical analyses of the impact of rent control on the province.

This study contributes to the literature by providing:

- a summary of the political debate over the implementation of rent control;
- a chronological review of British Columbia's rent control policy; and
- an initial analysis of the effects of rent control on Vancouver's rental sector.

1.1 The Case Study Method

According to Robert Yin, a planning professor at Massachusetts Institute of Technology:

A case study is an empirical enquiry that investigates a contemporary phenomenon within its real-life context when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used.[4]

Based on these criteria rent control is an appropriate subject to analyse by means of a case study. It is a contemporary phenomenon, it would be impossible to dissociate it from the socio-economic context in which it occurs, and there is a variety of information sources from which to develop a structure of evidence.

Another common reason for using the case study is that it allows the researcher to examine a complex subject at a fine level of detail. The method also serves to emphasize the uniqueness or individuality of the subject matter. In the words of planning analyst I. Masser:

case studies focus attention on the sequence of decisions that is taking place over time, and they also have the advantage that features which are essentially unique to the situation that is being studied can be taken account of as well

4. Robert Yin, Case Study Research: Design and Methods (Beverly Hills: Sage Publications, 1984), p. 23.

as features which reflect general aspects of the case in the collection and presentation of material.[5]

Finally, the case study method helps one to understand a little-researched phenomenon: case studies help the researcher to acquire a general understanding and are a step towards more specific inquiries about the subject. Because little empirical research has been done on rent control in Vancouver it is hoped that this study serves as a first step towards a more detailed evaluation.

The "case" in this study is the city of Vancouver rental market. Vancouver was chosen for several reasons: a) housing markets are highly localized, therefore, it would be difficult to analyse rent control province-wide; b) Vancouver represents the largest rental market in British Columbia; c) the proportion of renters in the city is very high compared to the provincial average (60% in Vancouver compared to 40% provincially); and d) a great deal of relevant data on the city is available.

The period of study is from the time rent control began in 1974 to 1989. This period was chosen for two reasons: there is a need to impose some boundaries on the period studied; and it enables one to assess the impact of rent control both during (1974 to 1983) and after (1983 to 1989) the regulations were in place.

This study examines two major theoretical propositions:

- a) the degree to which the assumptions based on conventional economic theories about the impact of rent control are accurate and a reliable basis for arriving at policy recommendations for the rental sector; and
- b) the degree to which a broad range of economic, social and political factors impact on the rental market with the presence or absence of rent control being but one factor.

5. I. Masser, "The analysis of planning processes: some methodological considerations," Environment & Planning B Vol 9 No 1 (1982): 8.

Conventional economic analysis assumes that rent control automatically produces these detrimental consequences:

- a) decreased rental construction;
- b) reduced building maintenance;
- c) increased conversions from rental units to condominiums;
- d) increased demolition of rental buildings;
- e) excessive demand for rental housing; and
- f) reduced value of rental buildings.

These theoretical propositions are examined by means of three sets of indicators: one set represents Vancouver's rental market and includes market indicators like the vacancy rate and the frequency of rental demolitions; the second set represents social indicators such as the levels of provincial in-migration; and the third set represents significant economic factors like the rates of inflation and interest. An attempt is made to include as many of the relevant indicators as possible in order to clearly identify any connections between them and rent control policy.

The analytic strategy applied is the method of "pattern-matching." This approach is regarded as being one of the most desirable strategies for case study analysis.[6] Pattern-matching is where the analyst compares an empirically based pattern of information with predicted outcomes. For example, by tracking the annual rental housing starts in Vancouver over time together with other key variables relating to rental housing starts it is possible to draw certain conclusions about the effect of rent control on new rental construction. A pattern will emerge which must then be assessed as to its significance.

6. Yin, Case Study Research, p. 103.

This study draws on three sources of information: a) documentation; b) archival records; and c) interviews. Specifically, the sources include the following:

Documentation:

- statutes of British Columbia;
- debates of the British Columbia Legislative Assembly;
- administrative reports and other internal documents from the offices of the Rentalsman and the Rent Review Commission;
- various provincial department reports;
- formal government studies about rent control;
- newspaper clippings and journal articles; and
- theses and books.

Archival Records

- survey data from Statistics Canada, Canada Mortgage Housing Corporation and British Columbia Ministry of Finance; and
- records from Canada Mortgage Housing Corporation local and regional offices.

Interviews

- The main purpose was to corroborate certain facts from the rent control period.
- Interviews were with provincial Legislative Assembly, Canada Mortgage Housing Corporation statisticians, previous researchers with the Rent Review Commission and staff from the Residential Tenancy Branch.

This study has the following limitations:

- a) It is difficult to clearly distinguish the effects of rent control from other government policies and from macro-economic factors like high rates of inflation and interest;
- b) The statistical analysis is limited. Sophisticated econometric models would be much more accurate; however, they require greater expertise and much more time;
- c) The information available from government agencies like Statistics Canada, Canada Mortgage and Housing Corporation, and the Residential Tenancy Branch is limited. For example, information concerning rent levels and the proportion of rental units subject to controls during the rent control period was unavailable;
- d) The associations between the indicators and the two theoretical propositions are not perfect. A case in point is maintenance standards in rental buildings which is impossible to represent with an appropriate indicator; and

- e) Generalizations from this study should only be applied to other cities which have had a similar rent control system and whose rental market is similar to Vancouver's.[7]

1.2 Terminology

The debate on rent control is made more confusing by the use of an extensive number of different definitions. Analysts frequently use the same terms differently which causes their arguments to be distorted which in turn further confuses the debate. For purposes of this study the following definitions are used:

Rent Regulation. A generic term referring to a system established in law which regulates the amount of rent that can be charged. Rent regulation can take many forms but the two most common are rent control and rent review.

Rent Control. Regulation by government controlling the maximum rent charged by landlords to their tenants. There are three forms: moderate, restrictive and strong.

- a) Moderate rent control attempts to balance the interests of landlords and tenants by ensuring a fair return to landlords while eliminating excessive rents to tenants. The return formula usually covers landlords' costs as well as providing a "fair" rate of return on invested capital (the rate is usually pegged to the cost of living index). This is presently the most common form of rent control and is often characterized by cost pass-through provisions and exemption of new construction.

7. Masser, "The analysis of planning processes," p. 9 argues that two types of generalizations can be made from case studies: a) "between" cases where different cases share similar characteristics; and b) "within" cases where generalizations about one case can be applied to further investigations.

Rather than provide across-the-board relief to tenants, moderate rent control works to control erratic or extreme rent increases.

- b) Restrictive rent control sets a rent ceiling without guaranteeing landlords a given level of return on their investment. Consequently, this scheme treats landlords inequitably relative to investors in other spheres of the economy.
- c) Strong rent control is a relatively new form of control which arose in the United States starting in the late 1970's to address the deficiencies of moderate control which was perceived to be only stabilizing rents rather than preventing excessive rent burdens. Returns to landlords are typically well below the cost of living index and in effect, only meet their actual costs.[8]

First Generation Rent Control. This was the first form of rent control and refers to those systems introduced during World War II which were primarily restrictive systems.

Second Generation Rent Control. This refers to rent control systems introduced since the 1970's and includes both moderate and strong systems.

Rent Review. This is a process whereby rent increases can be reviewed by a government agency at the request of tenants. In contrast to rent control, rent review does not set a ceiling which is uniformly applied to all tenancies. Instead, rent increases are negotiated between the landlord, the tenant, and a government mediator. The review regulations usually include a specified rent increase above which tenants may apply to have their rents reviewed. This

8. John Gilderbloom and Richard Appelbaum, Rethinking Rental Housing (Philadelphia: Temple University Press, 1988), pp. 128-132.

means that, in effect, rent review is accompanied by a rent control system and that not all tenants can apply to have their rent increase reviewed simply because they perceive them as being too high. As noted by the recent Ontario Commission Of Inquiry Into Residential Tenancies:

It is not feasible...to have a rent review system under which the rents for every tenancy complex would be set on an individual basis. The administrative dimension of such an operation would be horrendous. For that reason...review systems are accompanied by control systems.[9]

Rent Decontrol. The process of rescinding rent control.

Rental Market. A conceptual framework within which operates a price mechanism (except for non-market rental housing) which allocates rental housing resources. Conceptually, the rental market includes buyers (tenants) who wish to exchange money in return for housing and sellers (landlords) who wish to exchange housing for money. The term serves to emphasize the complex processes by which rental housing is produced and consumed and the numerous interrelationships between rental housing and macro-economic and socio-political elements. Rental markets are locally delimited and are very diverse in terms of size, composition, and the quality of the rental stock.

Rental Sector. A distinguishable division of housing with characteristics that allow it to be studied in isolation from other kinds of housing. The primary characteristic is the payment of rent to a landlord in return for a tenant's possession of the premises. The term also encompasses the participants within the sector including landlords, tenants, and business-

9. Stuart Thom, Commissioner. Report of the Commission of Inquiry into Residential Tenancies, 2 vol. (Toronto: Ontario Ministry of the Attorney General, 1987), p. 77.

investors; as well it includes rental services and the rental stock. The rental sector is broader than the term "rental market." The rental sector, for example, includes non-market rental stock such as the public, private and co-op non-profit units subsidized by the federal/provincial social housing programs.

Market Housing. Refers to 95% of the housing stock in Canada which is privately owned and which is allocated by the housing market's price mechanism. This includes all private rental stock and all owner-occupied housing. It does not include non-market housing.

Non-market Housing. This refers to the 5% of the housing stock in Canada which is subsidized by the government and which is owned and allocated by public agencies, non-profit associations and non-profit housing co-operatives. This form of housing is usually provided for low-income and moderate households.

1.3 Organization

This study is divided into four parts. Chapter two provides the theoretical context for rent control policy. There are two main theories about rent control: one theory is represented primarily by neo-classical economists who oppose rent control, the other is represented by a multi-disciplinary group who generally support rent control under certain circumstances. The theoretical debate is over the nature and extent of the effects of rent control. Broader philosophical issues relating to landlord and tenant rights are also included.

Chapter three summarizes the political context in which rent control occurred in British Columbia. The discussion shows the range of options provincial politicians considered in their efforts to deal with the rental housing crisis in the early 1970's. Party ideology clearly set the parameters for each party's position both at the inception of rent controls and

at the time controls were eliminated. Throughout the period of rent regulation the positions of each party remained consistent. The only exception was the Social Credit Party's turn-about during the 1975 provincial election when it campaigned in support of rent control.

A chronological review of British Columbia's rent control system in chapter four outlines the changes in the nature of the regulatory framework from 1973 to 1989. The rules and guidelines of rent control changed considerably throughout the 1974-1984 rent regulation period. After it was introduced, the rent control system became weaker over time, which meant that the number of rental units affected became increasingly smaller.

Chapter five presents a statistical evaluation of the key socio-economic and rental market indicators which influence Vancouver's rental market. This chapter is divided into two parts: the first describes the social and economic context in which rent control and decontrol occurred. The second assesses the impact of the claims and predictions made by rent control opponents. The study concludes by discussing the implications of this statistical analysis.

CHAPTER 2

REVIEW OF THE LITERATURE AND CONCEPTUAL FRAMEWORK

This chapter provides an overview of the theories presented by those who advocate rent control and those who oppose it. Theories are very important in helping one to understand a complex public policy such as rent control. They serve to "provide a structured explanation of realities that are too complex for easy empirical analysis".[10]

In general, opinions and theories about rent control are clearly pronounced between those who are in favour and those who are opposed. This thesis categorizes positions on rent control into two groups: advocates and opponents of rent control. Although this approach risks oversimplifying theories, since they do vary, it is done so for ease of presentation.

Advocates of rent control are from a power-conflict perspective. Power-conflict is what Joe Feagin calls the new sociological framework that challenges conventional economic theory. According to Feagin, the idea of a free and unorganized rental market is irrelevant because the market is in fact very well organized to serve the interests of powerful land-actors like homeowners, real estate and building business people.[11] In the words of William Form, one of the pioneers of this perspective:

10. J. David Hulchanski, Market Imperfections and the Role of Rent Regulations in the Residential Rental Market (Toronto: Research Study No.6 prepared for the Ontario Commission of Inquiry into Residential Tenancies, 1984), p. 12.

11. Joe R. Feagin, "Urban Real Estate Speculation in the United States: Implications for Social Science and Urban Planning," in Critical Perspectives on Housing, eds. Rachel Bratt, Chester Hartman, and Ann Meyerson (Philadelphia: Temple University Press, 1986), p. 663.

It is apparent that the economic model of classical economists from which these processes are derived must be discarded in favor of models which consider social realities....The reason for this is that the land market is highly organized and dominated by a number of interacting organizations. Most of the latter are formally organized, highly self-conscious and purposeful in character.[12]

Thus, analysts from the power-conflict perspective criticize the conventional economic perspective for presenting only a partial view of the rental market--they argue that a more comprehensive view, one that considers political and social aspects, is required.

Although the power-conflict perspective originated within the bounds of sociology it includes analysts from a variety of disciplines including planning, geography and social work who share a concern for social reform.

Opponents of rent control are predominantly neo-classical economists (also referred to here as "conventional economists"). Some economists tend to have very strong views about rent control as evidenced by the following statement of Walter Block's:

There are no competent economists on any side of the political spectrum who have advocated rent controls." [Arguments put forward by advocates of rent control] are hardly of the greatest intellectual moment...many of their diatribes are not even relevant to the topic.[13]

While rent control tends to evoke extreme opinions, within each perspective, views differ, depending on how dogmatic the analysis.

This chapter is divided into three parts: first it discusses the intensity of the debate over rent control. Unlike any other form of government intervention, rent control has been blamed for causing all the ills within the rental housing sector. This section discusses the

12. William Form, "The Place of Social Structure in the Determination of Land Use," Social Forces 32 (1954):317-323, cited in John Gilderbloom and Richard Appelbaum, Rethinking Rental Housing (Philadelphia: Temple University Press, 1988), p. 8.

13. Walter Block, Rent Control: Myths and Realities (Vancouver: The Fraser Institute, 1981), p. 285.

ideological cleavage between advocates and opponents: the rationale of each side's argument is explained by the starting assumptions that they make. Secondly, this chapter provides an overview of the inefficiencies of rent control as seen by rent control opponents. Finally, the arguments in support of rent control are presented.

2.1 The Contentiousness of Rent Control as a Policy

One analyst has described the debate over rent control this way:

No public policy polarizes the participants in the urban rental housing market like rent control, and no housing policy has generated as much public and academic scrutiny.[14]

The controversial nature of rent control has also been noted by George Anderson, President of Canada Mortgage and Housing Corporation. In a recent presentation, he described rent control as being "the most difficult issue governments have had to deal with in the past 10 to 15 years." He went on to say that it is such a contentious policy that he would "counsel a minister not to take a stand on rent control." [15]

The intensity of the rent control debate lies largely in the fact that advocates and opponents do not share the same issues and concerns. Each side holds widely different assumptions and believes that their respective issues are the most relevant. Advocates base their argument on issues concerning social justice while opponents' concerns stem from neo-classical economic concerns of market efficiency.

14. Denton Marks, "Rent Control and Housing Policy," in Policy Forum on Rent Controls in Ontario, eds. Richard Arnott and Jack Mintz (Kingston: John Deutsch Institute, 1987), p. 86.

15. Lecture by George Anderson, President of Canada Mortgage Housing Corporation, at the University of British Columbia, Vancouver, 6 February 1990.

There are clear ideological differences between advocates and opponents that extend throughout the range of issues associated with rent control as a policy. This section focuses on three fundamental issues that set the two sides apart: a) their analyses of the rental market: advocates assume market failure whereas opponents assume the market is, or can be, in equilibrium; b) their focus on different aspects of the market: advocates focus on the outcome of the market whereas opponents focus on its operation; and c) their views regarding human rights and property rights: advocates support a broad interpretation of rights whereas opponents do not. These issues are nothing if not value-laden; each side holds an entirely different set of values which leads them to different conclusions concerning the issue of rent control.

A) Market Analysis

Opponents to rent control argue that the rental market, like any other type of commodity market, has its quirks and idiosyncrasies. Nevertheless, it can, if it has not already, achieve a state of equilibrium. Most economists refute any charge of market "failure" arguing that any problems with the rental market are temporary and that they will be rectified by the market itself.[16]

The cornerstone of conventional economic theory is the concept of efficiency--finding the "best" allocation of society's resources. The most efficient allocation of resources is referred to as "Pareto optimality" which means that resources can not be reallocated to one person without making another worse off. One of the most important tenets of economic

16. Clayton Research Associates Limited. Rent Regulation and Rental Market Problems (Toronto: Research Study No.10 prepared for the Ontario Commission of Inquiry into Residential Tenancies, 1984), p. 1.

theory is this: if markets are perfectly competitive and certain assumptions hold, then resources will be distributed in a Pareto optimal manner.[17]

The assumptions that are necessary for perfect competition to occur in the housing market are defined by Edgar Olsen in his frequently cited work as follows:

1. both buyers and sellers of housing service are numerous;
2. the sales or purchases of each individual unit are small in relation to the aggregate volume of transactions;
3. neither buyers nor sellers collude;
4. entry into and exit from the market are free for both producers and consumers;
5. both producers and consumers possess perfect knowledge about the prevailing price and current bids, and they take advantage of every opportunity to increase profits and utility respectively;
6. no artificial restrictions are placed on demands for, supplies of, and prices of housing service and the resources used to produce housing service; and
7. housing service is a homogeneous commodity.[18]

Under these conventional assumptions, the price and availability of rental housing are a function of supply and demand. In theory, the rental market works this way:

Changes in the vacancy and rent levels serve to attract or discourage both additional supply and additional demand. Markets with tight vacancies and rising rents encourage additional supply since investors can expect enhanced revenues from rental investments. At the same time, the higher rents can be expected to reduce demand to some extent: some renters, especially some of those who regard rental housing as a temporary measure, will opt for homeownership since the relative costs of renting have increased; others, especially young single people, will find sharing accommodations perhaps with parents, more attractive. The opposite movements tend to occur in over-supplied markets with high vacancy rates and low rent increases.[19]

According to economic theory, the market forces of supply and demand, if allowed to work, will guide the rental market towards Pareto optimality. In those instances where the allocation

17. W.T. Stanbury, The Normative Bases of Rent Regulation, (Toronto: Research Study No.15, prepared for the Ontario Commission of Inquiry into Residential Tenancies, 1985). p. 4-6.

18. Edgar O. Olsen, "A Competitive Theory of the Housing Market," American Economic Review 59 (September 1969):612-613.

19. Clayton Research Associates Limited, Rent Regulation and Rental Market Problems, p. 14.

of rental housing is inefficient then appropriate adjustments in supply or demand will create the necessary changes to maximize efficiency.[20] Rent control is opposed because it impedes the ability of the market to self-adjust thereby making the achievement of Pareto optimality impossible.[21]

Those who support rent control contend that intervention is necessary "to correct the real or perceived failings of the private rental market." [22] By market failure, rent control advocates mean the rental market's inability to achieve equilibrium and Pareto optimality. Neo-classical economists respond to this charge claiming that:

- market inefficiencies are short term problems and the market will adjust in the long term;
- just because the market does not produce the kind of outcomes rent control advocates would like to see one can not claim that it is a case of market failure;
- market inefficiencies may have occurred from other causes, like previous government interventions, not market imperfections.[23]

Olsen's assumptions for a competitive market are challenged by rent control advocates who argue that there are inherent structural problems within rental housing markets which prevent them from being perfectly competitive. Consequently, the price and supply of rental housing will not respond to changes in market forces the way economists predict they will.

Richard Appelbaum and John Gilderbloom refute each of Olsen's seven assumptions and argue that "real" rental markets depart significantly from what they call Olsen's

20. Stanbury, The Normative Bases, p. 4-6.

21. Lawrence Smith, "An Economic Assessment of Rent Controls: The Ontario Experience," in Rent Control: The International Experience, eds. Richard Arnott and Jack Mintz (Kingston: John Deutsch Institute, 1987), p. 67.

22. Hulchanski, Market Imperfections, p. 30.

23. Clayton and Associates, Rent Regulation p. 18.

"idealized" competitive conditions.[24] Because these assumptions can not be satisfied in a rental housing market, they argue that it is not appropriate to use the economic theory of a perfectly competitive market. They address each assumption as follows:

- The buyers and sellers of housing services are not both numerous because although renters (buyers) are plentiful, the ownership (sellers) of rental housing is often concentrated by relatively few people thereby affording the possibility of market control;
- The number of individual transactions are relatively small to the whole market except in a few instances when a large proportion of available units is negotiated in a single transaction;
- Collusion is not absent because there are numerous tenants but the number of sellers is small and are often organized in landlord associations which further strengthens their position;
- Entry into and out of the rental market is not free for consumers of rental housing. There are many barriers to mobility including scarcity of housing, price, moving expenses, and discrimination for many groups like families, racial minorities and the poor;
- Neither producers nor consumers possess perfect knowledge of the rental market. Tenants' information is often fragmented and is based on newspaper articles and hearsay. Producers are in a similar position because "small-time" owners are not likely to have knowledge of market conditions to the same extent as larger landlords;
- There are many constraints on supply and prices, the main ones being national monetary and tax policies. To a lesser extent, local land-use regulations also affect price and supply; and
- Housing is not a homogeneous commodity. Instead, these factors make it unique: size, amenities, age, quality, location, and neighbourhood.[25] Olsen himself admitted that "most scholars would probably find homogeneity to be the least plausible assumption." [26]

24. Richard Appelbaum and John Gilderbloom, "Supply-Side Economics and Rents: Are Rental Housing Markets Truly Competitive?" in Critical Perspectives on Housing, eds. Rachel Bratt, Chester Hartman, and Ann Meyerson (Philadelphia: Temple University Press, 1986), p. 165.

25. Ibid., pp. 167-72.

26. Edgar Olsen, "A Competitive Theory of the Housing Market," p. 613.

Some analysts, like David Hulchanski, follow a similar line of reasoning by asserting that rental housing is not a typical commodity and, consequently, the concept of the perfect competition model does not apply. According to Hulchanski, there are several characteristics of the housing market, which, when combined, result in market failure. He categorizes these characteristics into two groups: a) factors that are internal to the dynamics of the rental market; and b) factors that are external to the market. The first category includes the following characteristics:

- high transaction costs;
- high capital cost;
- heterogeneity of the housing stock;
- durability;
- inelastic supply;
- fixed location;
- minimum physical standards;
- the complexity of housing services; and
- the inability of the market to respond to low-income demand.

He goes on to argue that even if the internal problems to the rental market could be overcome, there are external factors which would still prevent the market from functioning efficiently.

These external factors include:

- inflation and mortgage interest rates;
- post-war income transfer programs;
- post-war housing programs;
- availability and cost of land for rental housing; and
- the desirability of rental housing as an investment option.[27]

B) Focus on Different Aspects of the Rental Market

A second divisive issue separating rent control advocates and opponents is the difference in emphasis placed on the rental market. Rent control advocates focus on the outcome of the rental market whereas most economists focus on the operation of market forces.

Advocates' rationale for focussing on the outcome of the rental market stems from equity considerations. They argue that because "the most fundamental element of the landlord and tenant relationship is the rent itself" that rent should be "fair" or "just." [28] Moreover, they contend that even if the rental market could operate efficiently, as conventional economists claim, it could not meet social goals like equity so that intervention would still be necessary. [29]

In contrast, Walter Block and neo-classical economists like him focus on the efficiencies or inefficiencies of the operation of the private market. This is a crucial, often unstated, initial distinction between the two views on rent control.

The concept of equity is difficult to define since it has to do with individual perceptions of what is "fair." This approach is best presented through the work of C.B. Macpherson. He defines economic justice this way:

- (1) it treats economic relations as having become distinct from social relations in general, and now requiring principles more specific than those of justice in general; and
- (2) it seeks to impose on economic relations some ethical principle deduced from natural law (or divine law) or from a supposed social nature of man. [30]

In maintaining this view, rent control advocates see the private market as a separate entity from other social functions and argue that ethical values should prevail over market values. Basically, this approach places people first, the market second.

Macpherson holds that there are two types of economic justice: a) commutative; and b) distributive. Commutative justice refers to the ground rules upon which the private market

28. Hulchanski, Market Imperfections, p. 86.

29. Ibid., p. 30.

30. C.B. Macpherson, The Rise and Fall of Economic Justice and Other Essays (Oxford: Oxford University Press, 1987) p. 2.

operates. According to this concept, prices should be "socially determined, not left to the determination of the market." [31] Distributive justice means "that every household should have the moderate income needed for the good life." [32] Thus, both of these concepts are concerned with the outcome of the operation of the private market, not with the operation itself.

Applying this focus on the outcome of market relations to rent control means that advocates believe a rent can be "just" when it is determined by some non-market means, such as by government regulation. This, they argue, is fairer to those tenants who can not afford a huge rent increase that often occurs during periods of high demand and low supply. By preventing a regressive distribution of income to landlords, distributive justice is advanced since tenants have a greater income than they would without rent control.

Opponents to rent control base their argument on the operation of the private market. They tend to ignore social goals like equity because the "needs" of people do not fall within the bounds of efficient market theory. Lester Thurow explains it this way:

Problems of equity are mentioned as important, but they are then treated as too difficult to be discussed or as not the proper area for economists to investigate....[As a result,] economic analysis has come to focus almost exclusively on the efficiency questions.[33]

Renowned economist, Friedrich Hayek, argues that it's the rules of the rental market that need to be "just", not the rents themselves. In his words, "it would be nonsensical to demand that the results for the different players be just. They will of necessity be determined partly by

31. Ibid., p. 6.

32. Ibid.

33. Lester C. Thurow, Generating Inequality (New York: Basic Books Inc., 1975) p. 20.

skill and partly by luck." [34] Moreover, some economists argue that it is wrong to focus on market outcome because this approach severely curtails individual liberty, creativity, and economic growth. [35]

By concentrating on efficiency, neo-classical economists generally claim that their analysis is scientific and value-free. In fact, one of the main criticisms they have for rent control supporters is that their arguments are "based on value judgments." [36] Stanbury calls them "normative arguments"--they describe what government ought to do by means of moral persuasion. According to him, they are not very helpful because they consist of sweeping generalizations. He argues that "positive arguments" (i.e., neo-classical economic theories) are more accurate because they analyze particular cases and particular principles. [37] Stanbury asserts that his opposition to rent control is "value-free."

Some analysts find fault with this claim to being objective. Lester Thurow, for example, argues that neo-classical economists like Stanbury do make value judgments regarding the initial distribution of income. No matter how efficient the market process is, the initial distribution of income determines subsequent demands and the subsequent distributive outcomes of the operation of the market. [38]

34. Law, Legislation and Liberty: Vol 2; The Mirage of Social Justice, p. 71 quoted in W.T. Stanbury, The Normative Bases of Rent Regulation (Toronto: Research Study No.15 prepared for the Ontario Commission of Inquiry into Residential Tenancies, 1985), p. 4-8.

35. George Fallis, "Rent Control: The Citizen, the Market and the State," in Rent Control: The International Experience, eds. Richard Arnott and Jack Mintz (Kingston: John Deutsch Institute, 1987), p. 170.

36. Stanbury, The Normative Bases, p. 1-1.

37. Ibid., pp.1-1, 6-16. In addition to Stanbury, the distinction between positive and normative arguments is made by Denton Marks and George Fallis. See Denton Marks, "Rent Control and Housing Policy," in Policy Forum on Rent Controls in Ontario (1987) and George Fallis, "Rent Control: The Citizen, the Market and the State," in Rent Control: The International Experience (1987).

38. Thurow, Generating Inequality, p. 22.

C) Human Rights Versus Property Rights

Debate over rent control also divides people on the fundamental issues of human rights and property rights. Within society there is no fixed definition of the nature of either human or property rights. As Makuch and Weinrib put it, "It is a matter of social values and beliefs."^[39] The introduction of rent control necessarily changes the landlord-tenant relationship from a pure market relationship to "a socio-political relationship, an issue relating to human rights."^[40] Rent control increases tenants' human rights with respect to their accommodation and simultaneously decreases landlords' property rights. The debate is about each group defending their particular view of their bundle of "rights."

The United Nations Universal Declaration of Human Rights adopted in 1948 defines three kinds of rights:

- Civil rights. These include freedom of speech, freedom of association, freedom of religion, and freedom from arbitrary arrest and imprisonment;
- Political rights. These include the right to a voice in determining the government; and
- Economic and social rights. These are a "newer" set of rights in that they only became acknowledged after the Second World War. They include such rights as the right to work, the right to equal pay for work of equal value, the right to education, and the right to an income consistent with a life of human dignity.^[41]

In rent control, the debate is over the newer economic and social rights.

39. Stanley Makuch and Arnold Weinrib, Security of Tenure (Toronto: Research Study No.11 prepared for the Ontario Commission of Inquiry into Residential Tenancies, 1984), p. 8.

40. J. David Hulchanski, "The Evolution of Property Rights and Housing Tenure In Postwar Canada: Implications for Housing Policy," Urban Law and Policy, Vol 9, No 2 (June 1988):150.

41. C.B. Macpherson, The Rise and Fall of Economic Justice and Other Essays (Oxford: Oxford University Press, 1987) pp. 22-23.

Advocates regard housing as a basic human need, the same as health care and education, and consider affordable housing as a right.[42] In the words of Paul Davidoff:

safe and sanitary housing is a basic human need. Along with food and clothing, it is essential to survival.[43]

They argue that the conventional economic view which sees housing as a type of commodity the same as cornflakes or toothpaste is wrong. In the words of Peter Marcuse, "the treatment of housing as a commodity and its subservience to the maintenance of profitability are...the root causes of the nation's housing problems."[44]

Advocates argue that when the operation of the private market prevents basic needs from being met government intervention is justified. In the case of rent control, they argue that it is necessary to enforce certain basic precepts of justice and equity in the landlord-tenant relationship.[45] Consequently, this approach means a broader conceptualization of human rights is required.

Rent control opponents do not view affordable housing as a basic right. Moreover, they argue that there is no end to what could become "a right." In the words of Walter Block, "everything from a decent level of clothing, food, housing, and medical care to rock-music, sexual orgasms, and meaningful relationships" has been claimed as a right.[46] He goes

42. Stanbury, The Normative Bases, p. 2-33 to 2-36.

43. America's Housing Crisis: What is to be Done? p. 189 quoted in Stanbury, Normative Bases, p. 2-33.

44. Emily Achtenberg and Peter Marcuse, "The Causes of the Housing Problem," in Critical Perspectives on Housing, eds. Rachel Bratt, Chester Hartman, and Ann Meyerson (Philadelphia: Temple University Press, 1986) p. 4.

45. Hulchanski, "The Evolution of Property Rights," pp. 150-51.

46. Walter Block and Edgar Olsen, eds. Rent Control: Myths and Realities (Vancouver: The Fraser Institute, 1981), p. 300.

on to argue that the claim of housing as a right must be rejected because it necessarily leads to a "moral swamp." [47]

Most economists are critical of tenants rights advocates claiming that they ignore the ramifications of increased tenants' rights for landlords. In the words of William Stanbury, "Radical changes in security of tenure rights can have a substantial effect on the economic value of rental buildings." [48] Denton Marks adds that a "fundamental shifting of property rights...would have detrimental effects upon the willingness of the private sector to supply housing." [49] Clearly, this line of reasoning gives property rights precedence over human rights.

Rent control opponents necessarily have a much narrower definition of human rights. This is evident in the argument put forward by Walter Block. He categorizes human rights into a) negative rights and b) positive rights. He claims that civil and political rights fall into the first category and that economic and social rights into the latter. He is in favour of negative rights which he considers to be measures "to avoid certain aggressive behaviour" on the part of the state. But he opposes positive rights because they imply an obligation on the part of others to provide it. [50] In Block's words:

a right to housing...implies an obligation on the part of other people to provide it. This claim, in other words, is for a so-called positive right, not the negative rights of classical origin. But what is actually at stake here has

47. Ibid., p. 302.

48 Ibid., p. 6-9.

49. Denton Marks, "Rent Control and Housing Policy," in Policy Forum on Rent Controls in Ontario, eds. Richard Arnott and Jack Mintz (Kingston: John Deutsch Institute), p. 95.

50. Walter Block and Edgar Olsen, eds. Rent Control: Myths and Realities, p. 300.

nothing to do with rights at all. On the contrary, it is a disguised, and therefore quite insidious, demand for wealth.[51]

2.2 Economic Inefficiencies of Rent Control

A) The General Approach

The literature opposing rent control is the work of two groups of economists: neo-classical economists and revisionist economists. The first group is represented by analysts like M.A. Walker and Walter Block of the Fraser Institute, Lawrence Smith, Frank Clayton and George Sternlieb. According to conventional economists, achieving the optimal housing situation requires the removal of government intervention because intervention reduces individual freedom. In the words of one economist:

"Rent control legislation is destroying consumer faith in the entire real estate industry....The government has no business in the real estate business--or any other business for that matter.[52]

This view illustrates what Peter Marcuse calls "the myth of the meddling state"; this view sees "the state as an outside agent incompetently and ineffectively meddling in the housing market." [53] These economists maintain that if housing is provided, maintained, and occupied in accordance with micro-economic laws of supply and demand, then the invisible hand of the free market will ensure maximum efficiency and there will be no housing problems.[54]

51. Ibid. p. 301.

52. Mary Jane Copps, "Vancouver's hot, rent control's not," Canadian Building January/February 1987, p. 24.

53. Peter Marcuse, "Housing Policy and the Myth of the Benevolent State," in Critical Perspectives on Housing, eds. Rachel Bratt, Chester Hartman, and Ann Meyerson (Philadelphia: Temple University Press, 1986), p. 261.

54. Ibid., pp. 258-59.

Conventional economists do not differentiate between different kinds of rent regulation systems which reduces the strength of their arguments. Instead, their analyses are modelled on rent control as a simple price ceiling applied in a perfectly competitive market.[55]

Within the past ten years there has been a swell of revisionism among housing economists. This "new" group of analysts has a different conceptualization of housing markets in that they do not assume that they are perfectly competitive. Consequently, they are more amenable to government intervention to improve market conditions than conventional economists. They also differ in their view of housing in that they do not regard it as a commodity like other commodities.[56]

The difference between revisionist economists and neo-classical economists is more of degree than of kind. Like conventional economists, they are virtually unanimous on the detrimental impacts of rent controls. One important difference, however, is that revisionists realize that the effects of rent control are sensitive to local market conditions and to the particular provisions within rent control policy.[57]

Among Canadian economists this revisionist view is represented in the literature by the work of Richard Arnott, Harvey Lithwick, Marion Steele, Denton Marks and William Stanbury. For purposes of this thesis, this group is identified with the neo-classical economists and are also referred to as rent control opponents.

55. Richard Arnott, "Rent Control: The International Experience An Introduction to the Conference Volume," in Rent Control: The International Experience eds. Richard Arnott and Jack Mintz (Kingston: John Deutsch Institute, 1987), p. 4.

56. N. Harvey Lithwick, "The Decline and Fall of the Housing Market," in How Ottawa Spends 1985, ed. A.M. Maslove (Toronto: Methuen, 1985), p. 31.

57. See William Stanbury Rent Regulation: Design Characteristics and Effects (1985); Edgar Olsen and Richard Arnott in Rent Control: The International Experience (1987); and Denton Marks in Policy Forum on Rent Controls in Ontario (1987).

Conventional economists claim that rent control is unnecessary because there is currently no housing problem. Their view of a housing problem is based on the market system and they claim that because it is operating smoothly, there is no problem.[58] In addition, their view of what constitutes a problem is based on an aggregate view of the entire nation's housing stock as evidenced by Lawrence Smith's analysis: "To the extent that our nation is better housed than ever in terms of number and basic facilities, there is no immediate housing problem." [59] By focussing on a broad, national view of the housing stock, these economists ignore specific problems in specific urban rental markets.

The underpinning of opponents' argument is that rent control is a type of welfare program that is not only inefficient but that is grossly inequitable.[60] They claim that it is inequitable to both landlords and tenants. On the one hand, rent control assists those tenants who live in controlled buildings to the detriment of the landlords of those buildings. At the same time, it favours landlords of uncontrolled buildings to the detriment of those tenants since the cost of non-controlled rental housing will be higher than it otherwise would have been in the absence of rent control.[61]

Revisionists also criticize rent control for being a system that provides a public service that is financed by a small proportion of the population--landlords. This, they claim, stands

58. M.A. Walker, Rent Control: A Popular Paradox (Vancouver: The Fraser Institute, 1975), p. 23.

59. Lawrence B. Smith in a study conducted in 1970 for the Federal Minister of Housing, quoted in M.A. Walker, Rent Control: A Popular Paradox, p. 3.

60. Walker, Rent Control: A Popular Paradox, p. 151.

61. Jack Mintz, "Rent Controls in Ontario: An Overview," in Policy Forum on Rent Controls in Ontario, eds. Richard Arnott and Jack Mintz (Kingston: John Deutsch Institute, 1987), p. 5.

in contrast to commonly accepted views of social justice that hold that redistribution should occur from all the rich to all the poor.[62]

That some low-income persons are unable to obtain affordable, quality housing is seen as a poverty problem, not a housing problem. It is commonly argued that there are lots of decent houses to go around but if some people are unable to afford them they have an income problem, not a housing problem.

Revisionist economists advocate the use of shelter allowances to deal with what they perceive to be a basic income problem. Shelter allowances are favoured because a) they can achieve the benefits of rent control, like equity, more efficiently; and b) they represent a program of market stabilization--they attempt to overcome the market's failures while allowing its essential devices to operate to achieve a new equilibrium. Shelter allowances, it is argued, have the least adverse effect on the rental market (compared to other options such as the provision of social housing).[63] The other advantage is that allowances are funded by the government (not landlords) and that they better target assistance to low-income renters. Most economists criticize rent control for "the capriciousness of its redistributive effects" arguing that it helps many tenants who have middle or high incomes.[64]

The substance of the opponents' view is based on predictions of detrimental consequences that are assumed to follow automatically from rent control. There is a litany of concerns that is exhaustively discussed in the literature. The most common list of concerns includes the following:

62. Richard Arnott and Nigel Johnston, Rent Control and Options for Decontrol in Ontario (Toronto: Ontario Economic Council, 1981), p. 28.

63. Stanbury, The Normative Bases, p. 4-9.

64. Marion Steele, Housing Allowances: An Assessment of the Proposal for a National Program for Canada (A Report Prepared for the Canadian Home Builders' Association: January 1985), p. 29.

- new rental construction will be reduced;
- landlords will reduce maintenance to offset losses of rental income;
- landlords will convert rental units to ownership tenure;
- rent controls will lead to demolition of the rental stock;
- price ceilings below the market-clearing price cause excess demand; and
- the market value of rental buildings will be reduced thereby reducing the government's tax base.

The combination of these effects has led one economist to conclude that "Rent control has in certain western countries constituted, maybe, the worst example of poor planning by governments lacking courage and vision." [65] This view is further supported by another economist who declares that rent control "can be the same as a nuclear blast in very slow motion." [66]

All economists agree that these problems combined will create a shortage of rental stock. [67] Rent control will not only increase rental housing demand but it will simultaneously cause the existing rental stock to shrink and new construction to be diminished. The late Professor Frank H. Knight who is credited as being "the grand old man of the Chicago School of Economics" claimed that

If educated people can't or won't see that fixing a price below the market level inevitably creates a shortage (and one above a surplus), it is hard to believe in the usefulness of telling them anything whatever in this field of discourse. [68]

65. Gunnar Myrdal, co-winner of the 1974 Nobel Prize in Economics, quoted in Walker, Rent Control: A Popular Paradox, p. 182.

66. Oscar Fisch, quoted in John Gilderbloom and Richard Appelbaum, Rethinking Rental Housing (Philadelphia: Temple University Press, 1988), p. 133.

67. Richard Arnott, "Rent Control: The International Experience," p. 9.

68. Frank H. Knight, quoted in Walker, Rent Control: A Popular Paradox, p. 170.

Opponents believe that all of these problems would disappear with rent decontrol. "Decontrol or deregulation would mean more construction, more employment, more units available, more competition, greater fairness, higher tax revenues, less welfare and unemployment expenditures." [69]

The next section discusses each of these effects separately.

i) Reduction in New Rental Construction.

The effects on new supply are somewhat ambiguous and largely depend on whether or not developers anticipate that they will be subject to rent regulation. In the short term, whether or not there are rent controls, there is low elasticity of supply in the rental market which means that there is a significant time lag between changes in rents and vacancy rates before new construction is built.

Analysts opposed to rent control believe that the impact on efficiency will be felt only in the long term when the elasticity of supply is greater. William Stanbury explains the effect of rent control on new construction this way:

Rent controls suppress the price and profit signals that provide the bright green lights for investors to commit their funds to new rental buildings. [70]

If new construction is immediately subject to rent control it is argued that new construction will not occur since developers would be unable to realize a capital return on their investment. In his analysis of rent control, Jerome Rothenberg explains that:

69. Wilbrod Leclerc, "How to Decontrol Rents," Policy Options, Vol 7, No 4 (May 1986):24.

70. Stanbury, The Normative Bases, p. 2-30.

the expected lifetime rate of return on new rental units is likely to decline as a result of the onset of rent control...this would decrease the number of such new units built.[71]

Even if rent control does not apply to new construction initially, there is the risk that it will in the future. The more that developers believe that controls will be extended, the greater will be the initial rent needed to justify new construction.[72]

The impact on new units not subject to rent control is unclear. Some analysts, such as Lawrence Smith and Peter Tomlinson, believe that the demand for rental housing will spillover into the unregulated sector, thereby making it profitable for developers to build new units. However, others, such as Frank Clayton and Greg Lampert, believe that tenants will become so accustomed to low rents in the regulated sector that they would be unwilling to pay the higher rents of new rental units.[73]

The effect of rent decontrol on new construction is also unclear. Some argue that deregulation may not be a sufficient incentive to re-attract private market forces. Once the private market has been regulated by price controls it becomes very difficult to reinstitute private enterprise.[74] Investors have to be convinced that rent controls will not be re-imposed and that rents will rise sufficiently to make rental investment profitable. Moreover, investors are likely to hesitate until they are convinced that special government support

71. Jerom Rothenberg, "Urban Housing Markets and Housing Policy," in Selected Readings in Quantitative Urban Analysis, eds. Samuel Bernstein and W. Giles Mellon (Oxford: Pergamon Press, 1978), pp. 90-91.

72. Lawrence Smith, George Fallis, and Peter Tomlinson quoted in Eric Adams, Pearl Ing, and John Pringle, A Review of the Literature Relevant to Rent Regulation (Toronto: Research Study No.28 prepared for the Ontario Commission of Inquiry into Residential Tenancies, 1985), pp. 27-28.

73. Ibid.

74. George B. Klippert, Residential Tenancies in British Columbia (Toronto: Carswell Co., 1976), p. 155.

programs will not be introduced.[75] Others agree with Wilbrod Leclerc who claims "There is no doubt that construction would greatly increase in a free market." [76]

At the same time, it is argued that the utility of rent control depends on one's evaluation of the rental housing crisis. Karly Jaffary reports:

If there are real prospects for re-establishing the free market approach to meeting housing needs, then the cost of rent control's interference with traditional market mechanisms may be substantial.[77]

But if the market is viewed as having long term structural problems then increasing government intervention is required which, in turn, makes the potential market costs less significant. Opponents to rent control clearly agree with the short-term scenario (i.e., that there is no long term structural problem with the market) while those in favour of rent control fall in line with the structural problem view of the market.

ii) Reduction in Maintenance

Conventional and revisionist economists disagree on the impact rent control has on building maintenance. Conventional economists argue that rent control will result in the reduced quality of rental units as well as in reduced services because it provides landlords with the incentive to decrease the services in rental units in order to decrease costs. The net effect is that landlords realize a price increase equal to the amount of services reduced. This effect is described by Jerome Rothenberg. Rent control:

75. Clayton Research Associates Limited. Rental Housing In Canada Under Rent Control and Decontrol Scenarios 1985-91 (Toronto: Canadian Home Builders' Association, 1984), p. v.

76. Leclerc, "How to Decontrol Rents," p. 24.

77. Karl Jaffary, Chairman. Housing and Rent Control in British Columbia (Victoria: The Inter-departmental Study Team on Housing and Rents, 1975), p. 295.

Gives each owner of an existing unit at any quality level inducement to convert the unit downward in quality while retaining its old nominal price - thereby raising real prices throughout.[78]

Revisionist economists, like Edgar Olsen, dispute the claims of conventional economists saying that their analyses are based on simple models of housing markets and on casual empiricism. According to Olsen, the impact of rent control depends on the specific design of rent control. He argues that "moderate" rent control systems that include cost pass-through provisions may actually stimulate housing maintenance.[79]

iii) Tenure Conversion

Some economists argue that rent control will induce landlords to change the tenure status of rental units to ownership in order to avoid possible capital losses. Jerome Rothenberg explains that:

The lesser lifetime rate of return expected from a rent-controlled existence in the rental market can be by-passed by selling the property for ownership, since the forces leading to excess demand in the former probably operate in the latter as well, but without the profit-dampening operation of rent control.[80]

Other economists like Lawrence Smith and Richard Arnott qualify this assertion. They argue that conversions will occur if there are no provisions in the rent control regulation restricting the conversion of rental units.[81] According to Richard Arnott:

78. Jerome Rothenberg, "Urban Housing Markets," p. 89.

79. Edgar Olsen, "What do Economists Know About the Effect of Rent Control on Housing Maintenance?" in Rent Control: The International Experience, eds. Richard Arnott and Jack Mintz (Kingston: John Deutsch Institute, 1987), pp. 144-156.

80. Jerome Rothenberg, "Urban Housing Markets," p. 91.

81. Lawrence Smith, "An Economic Assessment of Rent Controls: The Ontario Experience," in Rent Control: The International Experience eds. Richard Arnott and Jack Mintz (Kingston: John Deutsch Institute, 1987), p. 66.

If there are no regulations restricting conversion, then rental housing will be converted to owner-occupancy status whenever its market value when rented falls below its value when owner-occupied.[82]

Others argue that rent control is just one factor that affects conversion and that, independent of rent control, the rate of conversion would be significant. Factors such as the growing demand for ownership and tax incentives are also important.[83]

iv) Demolition of Rental Units

In extreme cases, where the economic return falls below the value of the rental building, some analysts argue that landlords will have a strong incentive to demolish their properties. This is especially likely to occur where regulations prevent landlords from converting rental housing to condominiums.[84]

Lester Thurow argues that the demolition of rental buildings depends on whether or not new rental accommodation is exempt from rent control. He says that:

If new buildings are not rent controlled, the appropriate strategy is for the landlord to let his building deteriorate (let the tenants gradually tear it down) and milk it for all of its cash flow during a period of deterioration. Once it has gone beyond the bounds of human habitation, it is torn down and a new uncontrolled building is erected.[85]

Other economists argue that demolitions are due more to socio-economic processes related to urban growth and change than they are to rent control.[86]

82. Richard Arnott and Nigel Johnston, Rent Control Options for Decontrol In Ontario (Toronto: Ontario Economic Council, 1981), p. 58

83. Patrick Hendershott and Harvey Rosen quoted in Eric Adams et al, A Review of the Literature, pp. 17-21.

84. Richard Arnott and Steven Cheung quoted in Eric Adams et al, A Review of the Literature, pp. 21-22; and Michael Goldberg, The Housing Problem: A Real Crisis? (Vancouver: the University of British Columbia, 1983), pp. 67-68.

85. Lester Thurow, The Zero-Sum Society: Distribution and the Possibilities for Economic Change (New York: Basic Books, Inc, 1980), pp. 142-43.

86. Skaburskis quoted in Eric Adams et al, A Review of the Literature, pp. 21-22.

v) Excess Demand

It is argued that rent control causes excess demand because rents are set at below the market-clearing price. People from those sectors of the population who would otherwise not consider rental accommodation will demand it because of the reduced cost.[87] In economic terms this means that the rental market does not clear because demand far exceeds supply.

This assumption is based on a narrow view of the private rental market. Neo-classical economists assume that in the absence of rent control, the market has the potential to clear (that is, to reach market equilibrium). In practice this is not always the case. From 1974 to 1989, the city of Vancouver's rental market only cleared during the 1981-1982 recession and the following three years when economic recovery was slow. Throughout most of the past fifteen years, extremely low vacancy rates indicate that "excessive demand" existed regardless of the presence of rent control. Consequently, it appears somewhat simplistic to assume that rent control is solely responsible for generating excess demand.

Many economists go on to claim that housing inefficiencies will result from the excess demand created by rent control. Specifically, they argue that tenants living in rent controlled units will not want to move. For example, elderly people will remain in the same units even though their housing needs have changed. Inefficiencies like this, in turn, result in horizontal inequities because people who live in comparable units that are not controlled will have to pay higher rents.[88]

87. Clayton Research Associates Limited, Rental Housing In Canada, p. 56.

88. Eric Adams et al. A Review of the Literature, pp. 22-27.

It is argued that reduced housing mobility also leads to labour inefficiencies. Theoretically, workers will be reluctant to accept employment in other areas if it means having to give up their controlled housing unit.[89]

Another consequence of an excess demand for regulated units is that tenants who occupied their housing prior to rent control benefit at the expense of newcomers. Newcomers will suffer increased search costs and the likelihood of having to pay key money as landlords will use non-price rationing as a way to circumvent rent control.[90]

When rental units are deregulated the demand for rental units is projected to be lower than under rent control. With the expected rise of rents, many are likely to leave for the ownership market. Consequently, the reduction in demand will depend to a large extent on the price of homes and condominiums.[91]

vi) Effect on Capital Values

It is argued that rent controls not only reduces the landlord's rental income, but they reduce the market value of the property since the level of rent is inherent in determining the property value. In addition to landlords, tax payers end up as losers since the government will be unable to collect the same amount of taxes from landlords given the reduction of their rental property values. To maintain the same tax revenue, the government will be required to shift the tax base to other tax groups.[92]

In addition to foregone tax revenues, the government's budget will also be affected by increased expenditures resulting from a) the administrative costs of controls; and b) the

89. Ibid.

90. Arnott, Rent Control and Options for Decontrol in Ontario, pp. 20-21.

91. Clayton Research Associates Limited, Rental Housing in Canada, pp. 55-56.

92. Adams, Ing, and Pringle, A Review of the Literature, p. 97.

cost of additional housing programs which will be necessary to mitigate the supply effects of controls.[93]

2.3 Rent Control Advocates

A) The General Approach

Arguments advocating rent control are presented in the work of analysts like David Hulchanski, Peter Marcuse, Stanley Makuch, Arnold Weinrib, John Gilderbloom, and Richard Appelbaum. Their views are predicated on two assumptions: 1) that the rental housing market has malfunctioned and that this is a long term structural malfunction; and 2) that society needs a more equitable criterion to replace the way in which the market allocates rental housing resources.[94]

Rent control advocates argue that three conditions have prevailed in urban markets since the 1960's that have exacerbated the malfunctioning of the rental market: limited rental vacancies, general inflationary pressures on all sectors of the economy, and extreme speculative pressures in the land market.[95] One of the consequences is that rents have risen far beyond the affordability of many tenants.

The consequences are especially severe because the rental sector is increasingly composed of low-income persons. As one analyst notes, "The limitations on expanding rents are severe...[due to] the increasing paucity of rent paying capacity among the primary

93. Lawrence Smith, "An Economic Assessment of Rent Controls," pp. 69-70. Smith argues that housing programs like the Assisted Rental Program, the Canada Rental Supply Program and the Multiple Unit Residential Building Program will be required.

94. Hulchanski, Market Imperfections, p. 72.

95. Ibid., pp. 80-81.

consumers of rental housing."[96] Peter Marcuse claims that "The private market, no matter how regulated, overseen, and controlled, will never meet the housing needs of the poor."[97]

The Vancouver rental sector is a prime example of the increasing paucity among tenants. In 1980, for example, 35% of all renters in Vancouver paid more than thirty percent of their income for shelter. By 1985, this proportion increased to 46%. At the same time, the proportion of homeowners with an affordability problem is declining. In 1980, only 17% of Vancouver homeowners spent more than thirty percent of their income on housing. By 1985, this proportion had declined to 15%.[98]

Not only is the proportion of tenants with an affordability problem increasing but the number of tenants is growing, further exacerbating rental sector problems. In 1971, renters accounted for 53% of the total number of households. By 1986, the proportion was 58% (See Table A-7). This means that the proportion of homeowners has fallen from 47% to 42% in the same period.

Another recent development in the rental sector that is aggravating problems is the gap between what tenants are able to pay and the amount of rent that is necessary to attract new rental construction (See Table 1). The combination of construction, land and mortgage costs makes affordable rental housing an unattractive form of investment especially given the low incomes of a large number of renters. Investors do not receive a return on new rental

96. George Sternlieb and James Hughes eds. The Future of Rental Housing quoted in Gilderbloom and Applebaum Rethinking Rental Housing, p. 41.

97. Peter Marcuse, The Political Economy of Rent Control: Theory and Strategy (New York: Columbia University, 1978), p. 30.

98. These figures are from a publication produced for the City of Vancouver's Housing Symposium, 8 May 1989; p. 4.

Table 1

The Gap Between Financial Recovery and Market Rents
Canada, 1970-1983

Year	Monthly Payment Average Priced NHA Apartment *	Average Nominal Monthly Rent **	Size of Gap
1970	\$96.20	\$116.00	-17.1
1971	92.00	120.00	-23.3
1972	97.70	122.00	-19.9
1973	110.90	127.20	-12.8
1974	124.30	138.00	-9.9
1975	174.80	153.70	13.7
1976	198.80	175.00	13.7
1977	223.90	190.40	17.6
1978	235.80	204.00	15.6
1979	268.40	224.80	19.4
1980	358.50	248.00	44.6
1981	528.90	272.90	93.8
1982	506.70	310.00	63.5
1983	473.30	337.90	40.1

SOURCE: Clayton Research Associates Limited (1984)
Rental Housing Under Rent Control and
Decontrol Scenarios, 1985-1991, Toronto:
Canadian Home Builders' Association, Appendix A,
Table A-26

NOTE: * Includes construction, land and soft costs minus 25%
equity.

** Includes utilities.

accommodation for upwards of seven years from the start of construction. This has led one developer to comment that when it comes to rental housing, "you would do better keeping your money in a sock." [99] The undesirability of rental housing as a form of investment combined with an increasing poor tenant population and have created a rental housing crisis--a crisis of inadequate affordable supply.

Given these unstable conditions, it is argued that rent control is required to prevent the rental housing crisis from worsening and to enforce basic provisions of justice in the landlord-tenant relationship. [100] Rent control, it is argued, will neither "solve" the housing crisis nor do anything to increase the supply of accommodation. Advocates regard rent control as a form of consumer protection. It is intended to be a stop-gap provision for protecting tenants in times of "sudden, abnormal, and unfair rent increases." [101]

In general advocates believe that the effect of rent control depends largely on the type of system that is introduced. Their arguments assume a "moderate" form of rent control since this has been the most prevalent type of second generation system. [102]

The most common rationale for supporting rent control includes the following four factors:

- enhance security of tenure;
- maintain the affordability of the current rental stock;
- prevent regressive income distribution from tenants to landlords; and

99. The Globe and Mail, 20 February 1982, p. 10.

100. Hulchanski, Market Imperfections, p. 73.

101. Ibid., p. 80.

102. Gilderbloom and Appelbaum, Rethinking Rental Housing, pp. 128-32.

- provide a formal system of mediation to settle disputes between landlords and tenants.

In addition, the following arguments for rent control have been presented, although not as often:

- rent control benefits racial minorities, assuming that minorities differ systematically in their income distribution;
- rent control is necessary to preserve the socio-economic fabric of inner cities, i.e., low income persons must be able to find accommodation within the inner city in order to maintain diversity;
- rent control creates savings to taxpayers through reductions in income support programs; and
- rent control improves the quality of life for slum dwellers since it is assumed that they will be able to move into better quality housing with the imposition of price ceilings.[103]

The next section provides an overview of the four most common arguments in support of rent control. The political impact of rent control is then discussed briefly. The political activism of tenants is really a side issue to rent control but one that some analysts claim to be more important than the economic effects of rent control.[104]

i) Enhanced Security of Tenure

Under a freely operating rental market the only form of protection against exploitation is the tenant's option of moving. In theory, landlords are restrained from imposing unconscionable rent increases by the knowledge that the tenant has the ability to move, whether the tenant actually moves or not.[105] In practice, this means that tenants' tenure security is subject to the judgment and/or benevolence of the landlord.

103. Stanbury, The Normative Bases, p. 1-18.

104. Gilderbloom and Appelbaum, Rethinking Rental Housing, pp. 148-9.

105. Clayton Research Associates Limited. Rent Regulation and Rental Market Problems, p. 35.

In the early 1970's, legislation concerning the landlord and tenant relationship was changed considerably across most provinces to allow for increased tenure security which has been equated to "psychological" protection. Basically this means that provisions were included in the legislation that recognized a tenant's right to occupation so long as certain criteria were met. The new legislation outlined procedures for the payment of rent, the conditions upon which a tenant could be evicted, and the requirement that the landlord maintain rental property in good order.

The rationale for psychological tenure is described by Stanley Makuch and Arnold Weinrib this way: "Many tenants become attached to their home, even if it is rented from someone else and do not want to move into economically equivalent housing even if it is provided." [106]

Rent control significantly expands tenants' security of tenure. It provides a "social welfare rationale for security of tenure" by protecting tenants from economic eviction. [107] Writing in 1945 Mr. Justice Spence noted that

Rent control cannot overlook tenure control. These two concepts are opposite sides of the same coin. Security of tenure is absolutely necessary for the enforcement of control of the price; experience has shown that as soon as security of tenure is let go, control of price disappears. [108]

From this point of view, security of tenure is a necessary complement to rent control. Without tenure rules landlords would be able to evict tenants for non-economic reasons such as the colour of their skin, or for being one day late on their rent payment. At the same time,

106. Makuch and Weinrib, Security of Tenure, pp. 10-11.

107 Ibid., p. 32.

108. Mr. Justice Spence quoted in Makuch and Weinrib, Security of Tenure, pp. 30-31.

without rent control, tenants could be forced out their homes because of huge rent increases that they are unable to pay.

Some analysts take the provision of security of tenure further by suggesting that tenants who cannot afford to pay their rent (even under the controlled rate) should be protected from eviction. Makuch and Weinrib argue that: "if one believes that the purpose of rent control is to ensure the social welfare of tenants and the affordability of their housing it can be argued that tenants who cannot afford to pay their rent should not lose their security of tenure." [109]

ii) Maintenance of the Affordability of Current Rental Stock

It is argued that rent control should be used to ensure that housing does not become less affordable. During times of great upward pressure on rents, tenants have no alternative but to pay the "sudden, abnormal, and unfair rent increases." Rent control serves to slow down the rate of increase in rents. It is not intended to alleviate affordability problems but to make them manageable. As stated by Hulchanski, "The regulations are by no means alleviating the affordability problem of tenants. They are simply preventing affordability problems from getting worse for at least some tenants." [110] John Sewell agrees adding that, "Affordability is too large a problem to be effectively addressed by rent controls." [111] In his view, what rent control achieves is to give the problem of affordability a focus. [112]

109. Makuch and Weinrib, Security of Tenure, p. 31.

110. Hulchanski, Market Imperfections, pp. 81-82.

111. The Globe and Mail, 10 December 1985, p. A19.

112. The Globe and Mail, 16 December 1985, p. A13.

Most supporters of rent control do not regard it as a radical form of government intervention. Instead, they view it as a legitimate regulation that works within the confines of the market system. Marcuse argues that rent control "assumes the existence of that private market. It simply tries to smoothen out that market, to make it function more effectively, to make it more orderly." [113]

Gilderbloom and Appelbaum claim that, at a minimum, the only tenants who are helped by a moderate rent control system are those who suffer flagrant rent increases. For the majority of tenants, this type of system has a minimal impact on maintaining rental affordability due to the generous fair-return formulas for landlords. However, they go on to argue that in cities like Vancouver which experience great rent pressures and frequent incidents of huge rent increases, a moderate rent control system will produce greater rent relief. [114]

In addition to preventing rent gouging, advocates argue that rent control rationalizes the rental sector by providing tenants and landlords with annual indices of allowable increases thereby making the market more predictable. This is advantageous to both landlords and tenants, since it makes everyone aware of the "going rate" and eliminates the possibility of arbitrary increases. [115]

Some advocates, like Peter Marcuse, argue that rent control does not go far enough towards creating an equitable society. He claims that rent control is a "populist" issue that

113. Peter Marcuse quoted in John Gilderbloom and friends Rent Control: A Sourcebook, (Santa Barbara, Calif: Foundation For National Progress, 1981), p. 50.

114. Gilderbloom and Appelbaum, Rethinking Rental Housing, pp. 139-41.

115. Gilderbloom and Appelbaum Rethinking Rental Housing, pp. 139-41. See also Gilderbloom and Appelbaum Rent Control: A Sourcebook p. 212 and Peter Marcuse The Political Economy of Rent Control, p. 15.

does nothing to alter the status quo. Marcuse explains it this way: "Objectively, rent controls do not, and cannot, no matter how far pushed, lead to a radically different social result than the present market system." [116] Consequently, he sees the real contribution of rent control in terms of what it cannot do, not what it does. Marcuse argues that if the goal is to create an equitable rental market, then the only solution is to change the housing system. [117]

iii) Prevention of Regressive Distribution of Income

This rationale is based on the idea that rent control prevents "unwarranted income transfers from tenants to landlords." [118] This argument stems from the scarcity of rental housing and subsequent artificially high rents which are caused when the market system malfunctions. Without rent control, it is argued that landlords receive an unfair windfall at the tenants' expense. Advocates argue that landlords are not entitled to this profit for two reasons: a) landlords do not have a "natural right" to all of the profits which accrue in times when rental housing is scarce; [119] and b) it is the community rather than the landlord who "created" these returns. [120]

This argument is based on grounds of equity since it assumes that, in general, landlords have a significantly higher income than tenants. Advocates argue that rent control

116. Marcuse, The Political Economy of Rent Control, p. 30.

117. Ibid.

118. Housing and Rent Control in British Columbia pp. 116-21 quoted in Klippert Residential Tenancies in British Columbia, p. 152.

119. Hulchanski, Market Imperfections, pp. 82-84.

120. George Fallis, "Rent Control: The Citizen, the Market and the State," p. 168.

does little to change the distribution of income. Instead, its principal benefit is that it prevents the distribution of income from tenant to landlord from becoming worse.[121]

Most economists are very critical of this claim that rent control serves the interests of equity by reducing the amount of rent paid to landlords. They argue that rent control is not the best means to achieve greater equity:

- it is not fair to place the burden on landlords alone;
- rent control makes no distinction between tenants; and
- some landlords have lower incomes than some tenants and that it is a gross misrepresentation for rent control supporters to portray all tenants as poor and all landlords as rich.

The impact on the distribution of rent savings is inconclusive in the literature. Some studies claim that rent regulation is generally progressive in distributing net benefits among tenants while others argue that it only high-income renters who benefit since they tend to rent the more expensive units.[122]

iv) System of Mediation of Conflicts

As a public policy, rent control entails the formulation of legislation and regulations. These determine the "rules of the game" which, it is argued, is of great benefit to landlords and tenants alike. Rent control helps to eliminate arbitrary, unreasonable actions by both parties. In an issue like rent that is so contentious regulations can serve to smooth the process in dealing with potential conflicts. Regulations also invoke an element of fairness into disputes where both parties do not share equal economic power. A system of mediation is

121. Hulchanski, Market Imperfections, pp. 82-84.

122. Adams, Ing, and Pringle. A Review of the Literature, pp. 82-84.

one way to help rectify the imbalance of power that has historically been overwhelming in favour of landlords.[123]

B) The Political Effect of Rent Control

In a recent study John Gilderbloom argues that the principal value of rent control is more political than economic.[124] Rent control is a "gut issue" because it deals with housing which is one of the most important problems for individuals in their everyday lives. Among housing issues, it is most likely to generate mass involvement. In addition to activating tenants, rent control has helped to increase the level of education vis-a-vis housing matters in general.

Rent control served to activate tenants in British Columbia. Tenants' Rights Coalition formed in 1984 in response to the elimination of rent regulation and the office of the rentalsman. Since its formation, the coalition has served as an advocate for tenants and it has also helped to organize tenants around rental problems.

Although opponents of rent control do not say so, activation of tenants could be another reason for their opposition. It is likely that tenant movements are viewed as a threat by conventional economists who believe that democratic politics interferes with the efficient operation of the economy.[125] They argue that mass participation should be limited

123. Hulchanski, Market Imperfections, p. 86 and Stanbury The Normative Bases, p. 3-33.

124. John Gilderbloom, "Redistributive Impacts of Rent Control in New Jersey," (A paper presented for the Foundation for National Progress in April, 1983), p. 22.

125. Conrad P. Waligorski, "Conservative Economist Critics of Democracy," Social Science Journal 21(2) (April 1984):99.

to voting, otherwise the electorate will come to expect too much from the government.[126]

2.4 Summary

A discussion of the theoretical literature supporting and opposing rent control clearly demonstrates the complexity of rent control as a public policy. The debate focuses on two fundamentally opposed views of the rental market: a) whether or not the market has failed completely or whether it is in a temporary state of disequilibrium; and b) the outcome of the market as opposed to the operation of market relations. Moreover, debate extends beyond economics to include issues of human rights and social justice. Rent control necessarily implies that tenants' rights will be increased and property rights decreased.

Chapter 3 discusses the political debate over rent control in British Columbia.

126. Ibid., p. 111.

CHAPTER THREE

THE POLITICAL DEBATE OVER RENT CONTROL

This chapter discusses the political debate over rent regulation in British Columbia. Starting in the early 1970's, rent regulation has been an important political issue. This chapter focuses on the three periods of change in British Columbia's system of rent regulation: 1974 to 1975 when rent control was introduced by the New Democratic Party; 1977 to 1978 when the Social Credit Party initiated rent decontrol; and 1983 to 1984 when the Social Credit Party eliminated rent control and rent review. It is important to note that although the Social Credit Party was very critical of rent control and was responsible for terminating the policy, during the 1975 election, the party campaigned in support of rent control.

The debate during this entire ten year period was primarily between the New Democratic Party (NDP) and the Social Credit Party. Table 2 provides a summary of the election results since 1972. As Table 2 indicates, the Liberal and Progressive Conservative parties have failed to win any seats in the Legislature since 1975. For purposes of simplicity, these two parties are included with the Social Credit Party in this chapter. Although grouping these three parties together is an over-generalization, it is not erroneous since the parties share the same basic ideology.[127]

127. The B.C. Liberal and Progressive Conservative parties are often referred to as parties of the "right" along with the Social Credit Party. See for example Two Political Worlds Donald E. Blake,(Vancouver: The University of British Columbia Press, 1985).

Table 2

Composition of the B.C. Legislature 1973-1986

Election	30 Aug 1972	11 Dec 1975	10 May 1979	5 May 1983
Social Credit	10	35	31	35
NDP	38	18	26	22
Liberal	5	1		
Progressive Conservative	2	1		
TOTAL	55	55	57	57

SOURCE: Canadian Parliamentary Guide 1973, 1976, 1980, 1984, 1987 editions.

The similarity between the three parties is reconfirmed by the many legislative members who have converted from the Liberal and Progressive Conservative parties to the Social Credit Party. Representative of these party conversions are Pat McGeer and Garde Gardom who were key critics of rent control. Pat McGeer was a Liberal Member of the Legislature (MLA) from 1962, when he was first elected, to 1975. He joined the Social Credit party on 25 September 1975 and in December of that year he was appointed Minister of Education and Minister responsible for the Insurance Corporation of B.C. Similarly, Garde Gardom was also a Liberal MLA from 1966 to 1975. On 25 September he too joined the Social Credit Party and was later promoted to Attorney-General in December.[128]

The chapter first identifies each party's philosophical orientation towards housing policy and their concept of rent. These starting assumptions determine the rationale of their respective positions. The rest of the chapter examines the three key periods of rent control

128. 1984 Canadian Parliamentary Guide.

chronologically. There is some overlap because some issues such as whether or not government intervention is necessary and whether or not rent control creates slums were raised repeatedly throughout the three periods.

3.1 Party Orientation Towards Housing Policy and the Rental Sector

The political debate mirrors the theoretical arguments put forward by rent control proponents and opponents outlined in the previous chapter. Like the proponents of rent control, the NDP argument was based on the issue of social justice while the underpinning of the Social Credit party's position was neo-classical economic theory about the primacy of the unfettered marketplace.

A) The New Democratic Party

The New Democratic Party, views housing as a right and as a basic social need like education and health care. They "value housing more for its use-value as secure, good quality shelter than its exchange-value as an investment." [129] They do not question the role of capitalist markets in providing and distributing housing, but argue that the market is not responsive to all needs. They believe that government is obligated to intervene in the market to ensure that unmet needs, like housing, are addressed. [130]

The way in which the NDP define the concept of a fair rent is another important starting assumption. Rent is the most fundamental element of the landlord and tenant relationship. It is what rent regulation is all about. The NDP's position seems best

129. Beverly Grieve, "Continuity and Change: Provincial Housing Policy In British Columbia 1945-1985" (M.A. thesis, University of British Columbia, 1985), p. 154.

130. Ibid., p. 91.

represented by C.B. Macpherson who wrote that prices are just when they are "socially determined, not left to the determination of the market." [131] According to this view, justice means providing everyone with enough resources needed to live "the good life." [132] In this light, rent regulation is clearly an attempt to create a more just society.

B) The Social Credit Party

The Social Credit Party adheres to neo-classical economic theory and believes in the primacy of the minimally regulated private market. According to neo-classical economic theory, government intervention, including rent control, disrupts the natural operation of supply and demand in the economic system. Regulation is only justified if it promotes capital accumulation by eliminating market imperfections. Unlike social democrats, the Social Credit party does not view housing as a right; instead, they regard it as another form of investment. [133]

In contrast to the NDP, the Social Credit party believes that just rents are determined through an efficient market system because the market provides individuals with choice. The provision of choice is one of the tenets of neo-classical economic theory and is described by David Levine this way:

Economists have a method of dealing with policy questions that is unique: it is based on a commitment to individual choice, and on the conviction that individual choice and individual freedom are synonymous. [134]

131. C.B. Macpherson The Rise and Fall of Economic Justice and Other Essays (Toronto: Oxford University Press, 1987) p. 6.

132. Ibid.

133. Grieve, pp. 157-58.

134. David P. Levine, "How Economists View Policy" in Democracy 3(3), Summer 1983, p. 83.

Levine goes on to say that according to this view,

providing an individual with the freedom to choose will enhance his well-being.[135]

The Social Credit philosophy is based on the notion that the more freedom individuals have to choose, the more just are the rents.

3.2 The Introduction of Rent Control: 1974-1975

The 1974 to 1975 period was by far the most intensive period of the entire rent control debate. Most of the arguments about rent control were formulated and put forward at this time. In the two subsequent periods, there were few "new" issues--issues that were not already raised between 1974 and 1975. Consequently, the discussion that follows is much lengthier than the later two periods.

Rent control was first introduced by the New Democratic Party under the 1974 Residential Premises Interim Rent Stabilization Act (hereafter called the Interim Act). This form of rent control was restrictive and there were no provisions for landlords to exceed the designated rent ceiling of 8%. As the name of the act suggests, this was supposed to be an interim measure until the new Landlord and Tenant Act was introduced later that same year.

The Interim Act was introduced relatively quickly in an attempt to deal with what was seen as an emergency housing situation.[136] The vacancy rate for rental housing in the city of Vancouver was at an all-time low of 0.2% in June 1974 (which was the lowest rate

135. Ibid.

136. The Residential Premises Interim Rent Stabilization Act was introduced to the Legislature 14 March 1974 and received royal assent on 3 May 1974.

in Canada) and dropped to 0.1% in December (See Table A-11).[137] The vacancy rate did not climb above 1 percent until 1977. The average real rent for privately-initiated apartments in buildings of 6 or more units increased 10% from 1969 to 1973 (See Table 3).[138] The five-year mortgage interest rate was reaching historic heights: in 1974 it was 11.24%, up 2% from 1973. (See Table A-9). The Rent Index for Vancouver CMA in 1974 increased 5% over 1973 compared to the national average of 2.7% (See Table A-4).

In 1973 and 1974 newspapers were full of accounts of high rent increases, "gouging" by landlords, low vacancy rates, and high interest rates. Headlines like the following were common: "Pensioners Walking Streets for New Quarters: rent hikes force 11 of 12 tenants to move." [139] These articles continually referred to the "housing crisis" and the need for government action in the housing sector.[140]

137. "B.C. Three Years Later", Ben Achtenberg and Emily Achtenberg, Working Papers 1975, p. 16. See also Housing: It's Your Move Vol I, p. 72.

138. Average real rent refers to the average money rent (cash rent plus utility payments) deflated by the general inflation rate. The Vancouver Rental Housing Market to 1991 (Clayton Research Associates, 1984) p. 31.

139. The Vancouver Sun 28 February 1974, p. 22.

140. See for example: The Vancouver Sun 2 June 1973, p. 6 and The Province 2 February 1974, p. 6.

TABLE 3

**RENTAL MARKET INDICATORS
VANCOUVER CMA, 1962-1983**

	Vacancy Rates (%)	Average Money Rents (\$)	Consumer Price Index (1962=100)	Average Real Rents (\$)	Year-to-Year % Change Average Money Rents	% Change Average Real Rents
1962	n/a	85.6	100.0	85.6	-	-
1963	4.3	85.8	100.4	85.5	0.2	-0.1
1964	4.7	86.2	100.5	85.8	0.5	0.4
1965	4.0	88.0	100.5	87.6	2.1	2.1
1966	1.5	90.4	101.2	89.3	2.7	1.9
1967	1.0	102.0	106.8	95.5	12.8	6.9
1968	1.3	115.0	110.7	103.9	12.7	8.8
1969	1.2	123.1	113.7	108.3	7.0	4.2
1970	2.7	134.5	118.0	114.0	9.3	5.3
1971	4.1	140.0	120.6	116.1	4.1	1.8
1972	2.4	145.8	123.2	118.3	4.1	1.9
1973	1.0	152.6	127.7	119.5	4.7	1.0
1974	0.3	164.4	140.4	117.1	7.7	-2.0
1975	0.2	191.3	155.8	122.8	16.4	4.9
1976	0.4	222.2	170.9	130.0	16.2	5.9
1977	1.6	234.0	183.0	127.9	5.3	-1.6
1978	1.5	241.1	197.1	122.3	3.0	-4.4
1979	0.9	266.0	212.3	125.3	10.3	2.5
1980	0.1	299.5	232.3	128.9	12.6	2.9
1981	0.1	361.0	265.3	136.1	20.5	5.6
1982	0.6	394.9	293.1	134.7	9.4	-1.0
1983	2.6	419.0	309.2	135.5	6.1	0.6

Source: Clayton Research Associates and Woodbridge, Reed and Associates, 1984.

Note: Average Money Rents refer to average gross rents (ie cash rents plus utility payments paid by tenants).

Average Real Rents refer to average money rents deflated by the general inflation rate.

Both the NDP and the Social Credit Party agreed that B.C. was in the throes of a housing crisis. Conservative leader Scott Wallace said the shortage of rental accommodation was so urgent "the government should approach it with a sense of emergency such as exists in wartime." [141] MLA Emery Barnes (NDP) agreed saying:

Now there is a very serious crisis situation, really, not just in British Columbia but throughout the North American continent, with respect to housing accommodation. [142]

Referring to the housing sector Liberal MLA, Garde Gardom, declared, "There's no question of a doubt that there is a crisis." [143]

Debate arose over primarily four issues: a) how to address the rental housing crisis; b) the confidence each party placed in the operation of the rental market; c) how to maintain the balance between the rights of tenants and landlords; and d) the detrimental effects that were assumed to automatically follow from rent control. The following sub-sections address these issues.

A) Party Response to the Rental Housing Crisis

i) The New Democratic Party

The New Democratic Party view the root cause of the rental crisis as being endogenous to the rental market system. They believe the rental market has several problematic characteristics that prevent it from responding to meet all needs, particularly those of low-income groups. According to Mr. Barnes, the rental problem was:

141. The Vancouver Sun 11 April 1974, p. 2.

142. Emery Barnes speaking on the 1974 Interim Rent Stabilization Act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2321.

143. Garde Gardom on the 1974 Interim Rent Stabilization Act. Debates of the B.C. Legislative Assembly, 9 April 1974, p. 2367.

a long-standing problem that has...finally reached...the end of its day in this fast-developing society: that is, the idea that housing can be made available on a simple supply-and-demand basis where we throw living accommodation into the marketplace the same as we do cosmetics or automobiles.[144]

The NDP believed the answer to the rental crisis was for the government to fill the vacuum in affordable housing left by the private market. In the words of Attorney-General Alex Macdonald:

we are proceeding with the most massive housing programme, an infusion of aid, running into figures of \$100 million a year on a scale which has never before been seen in this or any other province.[145]

At the same time, the NDP tried not to discourage private rental investment. For example, Mr. Macdonald said that B.C. must eventually introduce incentives to:

ensure that returns to private industry are sufficient to provide for construction of rental units.[146]

Not all party members agreed with the provision of incentives to private industry. Harold Steves was one who argued against them. During the debate on the Interim Act he said:

The Hon. Member for North Vancouver-Capilano...is suggesting that we should give money to the tenants so that they can spend it on higher rent increases, which would then put the money in the hands of the landlords. Then we should give money to the landlords as well to build more apartments....this is a wrong course.[147]

The NDP's somewhat inconsistent position underscores the difficulty a social democratic party has in a highly capitalist society like British Columbia. According to MLA

144. B.C. Legislature, MLA Emery Barnes speaking on the Residential Premises Interim Rent Stabilization Act. Debates of the British Columbia Legislative Assembly, 8 April 1974, p. 2321.

145. Alex Macdonald speaking on the Interim Act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2317.

146. The Province 11 April 1974, p. 11.

147. Mr. Harold Steves speaking on the 1974 Interim Act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2337.

Emery Barnes, the NDP has to occasionally soften its position on highly controversial issues like housing in order to maintain sufficient support among businessmen and the investment community. Even though the party may have thought that government should assume a greater responsibility for alleviating the rental housing crisis in the 1970's, their position was tempered by the "reality" of living in a capitalist market system.[148]

The NDP views rent control as a temporary solution to the overall rental problem. They view rent control as a form of consumer protection for tenants who are being victimized by landlords. The bill introducing the Interim Act was described by Attorney-General Alex Macdonald in the following terms:

at the most this bill is a palliative; it is not a cure. Nevertheless, we do have in the Province of British Columbia 244,000 tenants, a great many whom will be helped by this application of restraint upon rent increases in this short period before we can do something more meaningful in terms of both housing and rent increase restraint.[149]

The NDP did not intend to implement rent controls. Referring to the duration of the 8% ceiling, Alex Macdonald said, "I would be looking at six to eight months." [150]

Mr. Macdonald said that imposition of this interim rent control measure would not have been necessary in the first place if landlords had not increased rents in anticipation on the new Landlord and Tenant Act. According to him, the Interim act was necessary:

to protect tenants from rents being increased excessively by landlords who are anticipating the introduction of the new Landlord and Tenant Act. Landlords seem to have overreacted to legislation which hasn't even been introduced in the Legislature yet. If these rent increases had been less widespread, we

148. Interview with New Democratic MLA Emery Barnes (Vancouver Centre), 31 January 1990.

149. Alex Macdonald speaking on the 1974 Interim Act. Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2398.

150. Alex Macdonald speaking on the Interim Act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2317.

likely wouldn't have needed to implement this eight per cent ceiling on rent increases.[151]

The opposition was skeptical about the "temporary" nature of rent control. Liberal leader, Gordon Gibson, believed that British Columbians would end up having to live with rent control for many years. In his words, "controls breed controls; they always do." [152] Scott Wallace, leader of the Progressive Conservatives agreed:

On this word "temporary," I just discovered the other day that when income tax was introduced in 1916 it was called a temporary measure to win World War I. If we can assume that income tax is just a temporary measure which we've had for almost 60 years, I'm just a little apprehensive about the temporary nature of this rent freeze.[153]

The Social Credit Party was also doubtful about the temporary duration of the interim rent control as evident by these remarks of Social Credit MLA Ed Smith:

we have the Attorney-General, obviously because of pressure from Members of his own backbench, moving very rapidly to introduce a bill which he now tries to say is just a temporary measure.[154]

The 1974 Landlord and Tenant Act ended up including rent control although Macdonald refused to label it as such. Instead, he said the act provided "control of rent increases beyond a specified amount." [155]

151. The Province, March 15 1974, p. 1.

152. Gordon Gibson speaking on the Interim Act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2336.

153. Scott Wallace speaking on the Interim Act. Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2375.

154. Ed Smith, speaking on the 1974 Interim Act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2332.

155. The Vancouver Sun 9 April 1974, p. 1.

ii) The Social Credit Party

The Social Credit Party believes the rental market can operate efficiently and effectively. They viewed the rental crisis of the early 1970's in terms of a short term market aberration. Their solution was to improve market conditions by providing incentives to investors to build more housing. During the debate over the Interim Act Social Credit leader Bill Bennett, claimed that it would have been:

Much better to have come up with a long-term solution--creating the incentives for more units to be built in Vancouver.[156]

Liberal MLA, Garde Gardom, agreed saying:

I feel the government's principal job is to provide incentives for housing and to encourage housing.[157]

This view was shared by Conservative leader, Scott Wallace who argued that the government should launch:

a top priority crash program to provide housing and incentives to provide the number of units that are realistically required.[158]

Liberal MLA, Pat McGeer backed-up his view with references to economic theory. In his words:

Replace it [Interim Act] by one that offers incentives to the developer....You will have solved the problem in the only way that works --in the classic way--by providing supply.[159]

156. Bill Bennett speaking on the 1974 Interim Act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2318.

157. Garde Gardom speaking on the 1974 Interim Act. Debates of the B.C. Legislative Assembly, 9 April 1974, p. 2367.

158. The Province 11 April 1974, p. 11.

159. Pat McGeer speaking on the Interim Act. Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2394.

The Social Credit believed there would be no reason to have rent control if the rental supply was increased through the provision of incentives to private investors. Additional rental housing would mean that tenants would have more choice and that landlords would be unable to get away with charging unconscionable rents.

The importance of increasing tenant choice is described by Donald Phillips, Social Credit MLA this way:

where there is a higher vacancy rate, there is no restrictive legislation, because the renter is in a buyer's position. He had freedom of choice and it is the landlords who are fighting among themselves to sell their product.[160]

Along the same line, Conservative leader Scott Wallace said:

We wouldn't have one-tenth of the problems we have in the accommodation field for tenants if there were any kind of choice of accommodation.[161]

The importance of choice was repeated in the opposition's criticism of rent control because they believed rent control would diminish tenants' freedom of choice. For example, Liberal MLA David Anderson, argued that:

You're going to find, of course, limitation on choice. Those who have apartments now will be most unwilling to give them up-- first, because as soon as they do they get away from the protection offered by the bill in terms of restriction on rent; secondly because of the difficulty of finding new accommodation.[162]

The Social Credit Party recognized that not all tenants had the same amount of choice. Low-income groups in particular had little option in where they lived and in what rents they

160. Don Phillips speaking on the 1974 Interim Act. Debates of the B.C. Legislative Assembly, 9 April 1974, p. 2365.

161. Scott Wallace speaking on the 1974 Landlord and Tenant Act, 11 June 1974, p. 3933.

162. David Anderson speaking on the 1974 Interim Act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2329.

paid. The Social Credit argued that in these cases direct subsidies, not controls, were the answer. Rent supplement payments would provide low-income consumers with more freedom of choice. In the words of Liberal MLA, David Anderson:

If we want to have assistance to the poor or the less fortunate, we should indeed make direct grants to them. A direct subsidy paid in cash or kind to the consumers gives them the choice of deciding where they wish to maximize their expenditure.[163]

Mr. Anderson repeated this argument later in the debate saying:

We've heard...about the need for rent control to assist the low income or the pensioner or the person who is having difficulty meeting rapidly increasing rents. That's an excellent reason for concern. But surely...the best way of going about this...is to go and attack the root of the problem, which is the lack of spending power of the low-income families or the pensioners themselves.[164]

This view was shared by Social Credit MLA, Donald Phillips. He argued that rent supplements would not only provide more choice to low-income tenants but they would also stimulate more rental construction. According to him:

if you [the NDP] really wanted to help the tenant, you would have brought in more rent subsidization to make the climate in British Columbia reasonable so that more apartment buildings would have been built.[165]

B) Confidence In the Rental Market

At the root of much of the debate over rent control was the fundamental issue of how much government should intervene in the rental market. Both parties agreed that some intervention was needed--the question was, how much? On the one hand, the NDP blamed

163. David Anderson speaking on the 1974 Interim Act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2331.

164. David Anderson speaking on the 1974 Interim Act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2329.

165. Donald Phillips speaking on the 1974 Interim Act. Debates of the B.C. Legislative Assembly, 9 April 1974, p. 2364.

the rental market for causing many of the rental problems; therefore, they believed that intervention in the form of rent control was required. Contrary to this view, the Social Credit Party believed the rental market's problems were short-term and only minor intervention, in the guise of subsidies to investors was necessary to help the market to re-adjust. Otherwise they argued that the rental market should be allowed to operate according to neo-classical economic principles of supply and demand.

This faith in the rental market is evident in the remarks made by Social Credit MLA Don Phillips who argued that the market system had taken care of any problems in the past and that it would continue to do so in the future. In his words:

Canada [before the rental crisis] was probably one of the best housed nations in the world....Because...there was no interference. It was a case of supply and demand. There was no restrictive legislation.[166]

Neo-classical economic theory formed the basis for much of the Social Credit Party's arguments and the Party often deferred to prominent economists. For example, during the debate Liberal MLA Gordon Gibson read excerpts from a paper on rent control which was prepared by Philip White, the dean of the Faculty of Commerce at UBC.[167]

Garde Gardom, a Liberal MLA, opposed rent control because it violates fundamental economic principles. He argued that rent control:

just boils down to economic meddling...it's fuzzy economics and certainly meddling with the law of supply and demand.[168]

166. Don Phillips speaking during the debate over the Residential Premises Interim Rent Stabilization Act. B.C. Legislative Assembly. 9 April 1974, p. 2362.

167. Gordon Gibson speaking on the Interim Act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2335.

168. Garde Gardom speaking during the Interim Act. B.C. Legislative Debates. 9 April 1974, p. 2367.

Other members saw the actions of the NDP as a sign of lack of faith in the private market system. In the words of Liberal David Anderson:

It's [the Interim Act] a policy which I am reluctantly driven to conclude is deliberate. You have a government which does not believe in the private sector....there is a conscious effort to discourage private investment in a most important area of social investment.[169]

Social Credit MLA, Harvey Schroeder, criticized the NDP for their lack of economic expertise. In his words:

If anyone had come to me and said that socialists were this ignorant of economics and that they would add insult to injury by trying to correct a problem by stacking more problems on top of it, I would not have believed it.[170]

The NDP, on the other hand, argued that the market could not be allowed to continue to operate without stronger forms of regulation. Attorney-General Alex Macdonald, who introduced the rent control bill, argued that:

if we left things to go just as they would float in the marketplace, with the population buildup and the shortage of accommodation which was there and would be there, then things would be very desperate indeed for the renting section of the people of British Columbia.[171]

MLA Dennis Cocke (NDP) argued that the market system was to blame for causing the rental crisis and that economic principles of supply and demand did not work when applied to rental housing. In his words:

The need for this bill [1974 Landlord and Tenant Act]...was created by the friends of the opposition....You know, the good free-enterprise system; the

169. David Anderson speaking during the Interim Act, B.C. Legislative Assembly. 8 April 1974, p. 2328.

170. Harvey Schroeder speaking on the 1984 Interim Act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2343.

171. Alex Macdonald speaking on the Landlord and Tenant Act. B.C. Legislative Debates. 13 June 1974, p. 4051.

private-enterprise system that says supply and demand. But the supply [of rental housing] didn't become short in the last short while.[172]

He went on to criticize a member of the opposition saying:

He understands that crazy system where sometimes supply and demand does work. But one place it isn't working is right now in this whole question of tenancy.[173]

C) Arguments In Support of Rent Control

The NDP argued that rent control was necessary for three reasons: a) to fight inflation; b) to expand tenants' rights; and c) to protect tenants from gouging.

i) Fight Inflation

In 1974, rent control was seen as a way to fight the escalating rate of inflation. Vancouver's Consumer Price Index was at the all-time high of 11.6% (See Table A-3). As Attorney-General Alex Macdonald put it:

the fires of inflation are burning brightly....We're asking all of the Members of this House to be fire fighters, not flame throwers.[174]

Premier Dave Barrett said the costs of an average wage earner in B.C. were shooting up and that "the government has a responsibility to stabilize at least one cost in his life." [175]

Inflation is the same reason why most of the rest of the provinces introduced rent control the following year. In the other provinces, rent control was in response to the federal government's wage and price control strategy of October 1975.

172. Dennis Cocke speaking on the 1974 Landlord and Tenant Act. Debates of the B.C. Legislative Assembly, 11 June 1974, p. 3935.

173. Ibid.

174. Alex Macdonald speaking on the 1974 Interim Act. Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2399.

175. The Vancouver Sun 9 April 1974, p. 19.

In British Columbia, the opposition argued that it was unfair to impose curbs on only one segment of costs without imposing it on the rest. In the words of Conservative leader, Scott Wallace:

one of the disadvantages of this bill [Landlord and Tenant Act] is that it is just a part of a much wider problem which maybe can only be solved nationally....in fact you cannot isolate in this way rents or gasoline or any other very essential product in isolation from all products and in isolation from all forms of income.[176]

Social Credit MLA, Francis Richter, agreed saying:

Now if you were going to place controls at all levels, then you'd probably be accomplishing your objective. But placing them at one level will not resolve the problem.[177]

Liberal MLA, Garde Gardom, objected to rent control saying:

Landlords' costs have gone up too. Their insurance, their taxes, their maintenance costs, everything.[178]

Concern for the landlord was also a part of Scott Wallace's argument who said:

the Minister himself has said this measure was taken to try and give people some protection against inflation. But what about the owner of the property? He's being hammered by inflation day in and day out.[179]

Mr. Wallace added that the 8% rent limit under the 1974 Interim Act made no sense. In his words:

For government to put a ceiling on rent in isolation of all the other costs which are continuing to escalate--the general figure the consumer price index

176. Scott Wallace speaking on bill 105 (1974 Landlord and Tenant Act). Debates of the B.C. Legislative Assembly, 11 June 1974, p. 3933.

177. Francis Richter speaking on Bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2397.

178. The Province 15 March 1974, p. 8.

179. Scott Wallace speaking on Bill 105. Debates of the B.C. Legislative Assembly, 1 May 1974, p. 2708.

shows for a composite figure for all costs is somewhere in the nature of 12 per cent--really makes no sense to us.[180]

ii) Increase Tenants' Rights

By definition, rent regulation enhances tenants' rights with respect to accommodation at the expense of landlords. Claiming that landlords can be "lord and master" to their tenants, the NDP argued that it was time for a shift in the balance of rights. They argued that huge rent increases showed that landlords took it as a basic right to exploit tenants. In the words of Emery Barnes, "License is given to exploit. Landlords take it as a basic right." [181] He claimed that "it's about time there is a responsibility on the part of landlords to the people they serve." [182] He went on to say:

I think they [landlords] are going to have to be prepared to settle for a simple equity value rather than having extra benefits above and beyond that.[183]

Rent control represented just one of the NDP's attempts to create a more equitable society. In the words of Emery Barnes rent controls are:

just a beginning...as far as this government is concerned, in trying to straighten out some of the inequities within our society.[184]

180. Scott Wallace speaking on Bill 75 (1974 Interim Act). Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2376.

181. The Vancouver Sun 11 March 1974, p. 33.

182. Emery Barnes speaking on the Interim Act. Debates of the B.C. Legislature, 8 April 1974, p. 2322.

183. Emery Barnes speaking on the Interim Act. Debates of the B.C. Legislature, 8 April 1974, p. 2322.

184. Emery Barnes speaking on the Interim act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2321.

This attempt to expand tenants' rights was made clear by Alex Macdonald when he introduced the Landlord and Tenant Act. He called it "a charter of the rights of tenants and I think the best in North America." [185]

The opposition argued that rent control was not the way to enhance tenants' rights. They argued that the only way to give tenants more clout over landlords was through the "power of choice" by providing more accommodation. In the words of Liberal, Pat McGeer, "Take us back to our former circumstances and once again the tenant will be king." [186] Conservative leader, Scott Wallace agreed saying:

Until there is some incentive to investors and builders to create more rental accommodation, this rent control will fail to achieve the goal it is trying to achieve, which is a fairer measure of justice in the marketplace for the renter. [187]

The opposition also argued that rent control infringed on the individual rights of landlords and that it was not fair to make them "subsidize" tenants. David Anderson (Liberal) called rent control "a social distortion" and asked, "Why should the landlord, in particular the responsible landlord, be forced to pay that type of subsidy?" [188]

The Social Credit Party argued that rent control limited landlords' right to economic freedom. Landlords, they argued, should be free to profit from their rental investments. In the words of the Liberal and later Social Credit member, Pat McGeer:

You don't give them [landlords] the right to gouge. You give them the right to make a buck if they work for it. The reason why every socialist country in the world is in

185. The Vancouver Sun, 9 April 1974, p. 1.

186. The Vancouver Sun, 11 April 1974, p. 2.

187. Scott Wallace speaking on Bill 105 (1974 Landlord and Tenant Act). Debates of the B.C. Legislative Assembly, 17 June 1974, p. 4120.

188. David Anderson speaking on the Interim act. Debates of the B.C. Legislature, 8 April 1974, p. 2330.

trouble with housing is because they would rather...do without housing than allow someone to make a buck.[189]

The opposition claimed that most landlords were not the unscrupulous, rich people that they were portrayed as being and that rent control discriminated against them. Liberal MLA, Garde Gardom, described landlords this way:

Here's a classic example of people who are little people in every sense of the word, who have literally worked their guts out in the Province of British Columbia in an attempt to take care of themselves and not fall upon the so-called generosity of the welfare state. These people are being penalized, and I don't think that is correct at all.[190]

Donald Phillips, Social Credit MLA, agreed saying:

I think this is being discriminatory against a group of people in British Columbia who have put their life savings into a rental unit rather than by buying insurance or buying a pension plan.[191]

The NDP response to this argument was that landlords had certain responsibilities and obligations towards their tenants. Charging "fair" rents was one of them. Emery Barnes argued that:

This province belongs to the people, and the entrepreneur, the speculator, whatever you want to call that person, be he legitimate or otherwise, has responsibilities.[192]

He went on to say that landlords could no longer be concerned about only the "bottom line".

In his words:

189. Dr. Pat McGeer speaking on the Interim Act. Debates of the B.C. Legislative Assembly. 10 April 1974, p. 2393.

190. Garde Gardom speaking on bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 9 April 1974, p. 2368.

191. Donald Phillips speaking on Bill 105 (1974 Landlord and Tenant Act). Debates of the B.C. Legislative Assembly, 17 June 1974, p. 4122.

192. Emery Barnes speaking on Bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2323.

I think the challenge to the rental industry is perhaps one that they will have a great deal of difficulty meeting because it's going to suggest that capital become more citizenship oriented, more concerned about the field in which it operates rather than the yield it can extract at the present time.[193]

iii) Protection From Gouging

Many of the arguments put forward by the NDP in the rent control debate were couched in terms of compassion and caring. The NDP clearly saw themselves as defenders of the poor. This was especially evident in their stand against rent gouging. For example, Attorney-General Alex Macdonald claimed that:

in the rental situation in this province there was a necessity upon the part of any government with a heart to step in and protect within its powers tenants who were suffering intolerable pressures as a result of the plummeting vacancy rate, particularly in the lower mainland.[194]

He called rent control a "life belt" that was being thrown to tenants. Macdonald said: "It's the poor people who are being hurt. They should not be allowed to sink." [195] Mr. Macdonald also said that in 1973 rent increases in Vancouver averaged between 10 and 20% and that:

There has been a tremendous series of rent increases in the last few months, particularly in urban areas, which is causing undue hardship on tenants, particularly those people living on fixed incomes.[196]

Mr. Macdonald again stressed his party's concern for the poor and the defenseless during the closing debate on the 1974 Interim act. In his words:

193. Ibid., p. 2326.

194. Alex Macdonald speaking on the Interim act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2316.

195. The Vancouver Sun, 9 april 1974, p. 19.

196. The Province 15 March 1974, p. 1.

When the chips are down and people are suffering unnecessary exploitation, and a great many tenants are suffering unnecessary exploitation at the present time, a government isn't worth its salt if it doesn't stand up and protect that class of people.[197]

The opposition argued that: a) not all landlords were "gougers"; b) the government should deal with those who were by other means, not rent control; c) competition in the market place would solve the gouging problem; and d) rent control would only make things worse for low-income renters. In the words of Social Credit MLA, Harvey Schroeder:

I want you to know that for every--I hate to use the word--shyster that you may wish to find in the rental business, I can lead you to 100 who are conscientious, down-to-earth landowners.[198]

Liberal MLA, Allan Williams, agreed saying:

There are those landlords who, it may be claimed, will gouge tenants. There are, at the same time, every bit as many landlords who have been very fair over the years to their tenants and who have resisted the opportunity to increase rents.[199]

Social Credit MLA, Donald Phillips urged the NDP to:

Go after the gouger. You have a Department of Consumer Services. Just because there are gougers in the roofing industry, does that mean that the whole roofing industry is rotten?[200]

Mr. James Chabot, Social Credit MLA, advised the NDP that:

197. Alex Macdonald speaking on bill 75 (1974 Interim Act). Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2399.

198. Harvey Schroeder speaking on the 1974 Interim Act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2342.

199. Allan Williams speaking on bill 75 (1974 Interim Act). Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2320.

200. Donald Phillips speaking on bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 9 April 1974, p. 2364.

Competition is the answer in controlling what you consider to be gouging, and probably there is gouging in certain instances. But there must be more competition.[201]

The opposition also argued that rent control would diminish the housing supply and only make things worse for those people it was intended to help--low-income households.

Liberal MLA, David Anderson, said that:

The relief provided by this bill [Bill 75] goes generally to the wrong people, mainly those who are wealthy enough not to need it.[202]

He explained that:

the problem for the low-income person, the problem of the person who is on pension, welfare, or anything of that nature, is going to become substantially greater, while the person who is on a good salary will have no trouble at all.[203]

Social Credit MLA, Donald Phillips agreed saying:

What you are doing by this legislation in the long run is hurting the very people that you're trying to save.[204]

Liberal leader Gordon Gibson argued that rent control was creating a privileged class since those living in rent controlled buildings would be much better off compared to those living in uncontrolled buildings. He explained it this way:

Now the tenants of controlled premises, of course, are a very large group at the beginning. Then, as more and more uncontrolled premises are built, it becomes a smaller and smaller and more privileged class. You're building

201. James Chabot speaking on bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2396.

202. David Anderson speaking on bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2331.

203. Ibid., p. 2330.

204. Donald Phillips speaking on bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 9 April 1974, p. 2363.

in a privileged class, living in rent-controlled apartments as time goes by.[205]

D) Predicted Consequences of Rent Control

Much of the opposition to rent control was based on the detrimental consequences which were assumed to automatically result from it. In this respect, the arguments submitted by the Social Credit Party reflect those of neo-classical economists which were outlined in the previous chapter. The Social Credit believed that these consequences were inevitable:

- rental construction will decrease;
- maintenance will decrease resulting in more slums;
- black markets will be created;
- rental units will be converted to condominiums; and
- attacks public morale.

The thrust of their argument was that rent control would only worsen the rental housing situation. Liberal MLA, David Anderson, claimed that the NDP:

have done everything in their power--they could not have done it better intentionally--to destroy the housing market.[206]

This view was supported by James Chabot, Social Credit MLA, who said that rent control "really amounts to controlled disaster in stages." [207]

i) Decrease In Rental Construction

The opposition argued that rent control would reduce investment, not only in rental housing, but in the provincial economy as a whole. There was widespread agreement with Liberal leader, Gordon Wilson's opinion that:

205. Gordon Gibson speaking on bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2336.

206. The Vancouver Sun 15 March 1974, p. 12.

207. James Chabot speaking on the Interim Act. Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2396.

one of the inevitable results is that the provision of housing through the private sector is likely to decline.[208]

Social Credit MLA, Donald Phillips, agreed saying:

Control on rental accommodation will in no way increase the number or the quality of apartments available for rent. On the contrary, in the long run it will aggravate the situation and make it become intolerable.[209]

This opinion was also confirmed by Liberal MLA, Pat McGeer who said:

I have called many of the developers in British Columbia who traditionally have looked after our supply of rental accommodations. Every single one I have contacted has said they're going to put up no rental accommodation--not just decrease it, they're dropping it to zero.[210]

Donald Phillips (Social Credit) argued that the negative effects of rent control would be felt throughout the provincial economy and that it would take a long time to restore investors' confidence in B.C. He said:

The true effect [of rent control] will probably not be felt for 20 years. Once you start the flow of investment capital out of the province, you don't just snap your fingers and reverse it.[211]

Another Social Credit MLA, James Chabot, re-iterated this concern saying:

If we ever thought we were going to attract investment capital from other nations and other parts of this country...they've disappeared in the fog.[212]

208. The Daily Colonist 14 June 1974, p. 2.

209. Donald Phillips speaking on Bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 9 April 1974, p. 2362.

210. Pat McGeer speaking on Bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2392.

211. The Vancouver Sun 10 April 1974, p. 20.

212. James Chabot speaking on Bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2395.

The opposition also objected to rent control arguing that it would lead to more public rental housing to compensate for the lack of private rental starts. Liberal leader, Gordon Gibson, said that rent control will kill the rental sector and then the government:

is going to come in and say that the private sector has failed and that we're going to have to go ahead and supplement what they should have been doing.[213]

Liberal MLA, David Anderson agreed saying:

no doubt in the near future we will hear the cries go up about the failures of private enterprise in this field, the failures of responsible private enterprise and therefore the need for even greater amounts of public investment, public control and, of course, public takeover.[214]

This message was repeated by Social Credit MLA, James Chabot who argued:

When you take this kind of action, it appears you've virtually dried up the private investment capital you need to help create housing in British Columbia. So where you're going now, of course, is into the public housing sector to the state homes.[215]

ii) Maintenance Reduction and the Creation of Slums

It was widely believed that landlords would cut back on building maintenance in order to compensate for their loss of income through rent control. Speaking on the Interim Act, Scott Wallace (Progressive Conservative) argued that:

the worst feature of this bill, of course, would be that it will continue to be a disincentive to investors to put their money into apartment buildings. Not

213. Gordon Gibson speaking on Bill 105 (1974 Landlord and Tenant Act). Debates of the B.C. Legislative Assembly, 13 June 1974, p. 4050.

214. David Anderson speaking on Bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2328.

215. James Chabot speaking on Bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2395.

only that, there will be a tendency to spend less money on the buildings that now exist.[216]

The deterioration in building maintenance would, it was argued, lead to the creation of slums. In their argument, the opposition cited New York and London as examples of where major portions of cities have been turned into slums because landlords could not afford to keep up their buildings.[217] Social Credit MLA, Don Phillips, said that:

In any jurisdiction where there have been rent controls, within 10 to 15 years there are slums....You will create in the downtown core of Vancouver a situation which I doubt we will ever recover from.[218]

David Anderson (Liberal) agreed and predicted that:

we are going to create...in certain parts of the province,...for example Chinatown in Vancouver--we are going to create slums with legislation such as this.[219]

Citing the examples of Britain and the United States, Conservative leader, Scott Wallace, said:

Certainly in Britain, where price controls have been applied, and certainly in the United States, there have been whole areas where apartment buildings have been allowed to deteriorate and become dilapidated and finish up, in some cases, by being torn down.[220]

Referring to a television documentary on rent control, Social Credit MLA, Robert McClelland observed:

It was frightening in that it portrayed slums in cities like New York, Washington, Chicago, St. Louis, Baltimore--some of those other major cities--

216. Dr. Scott Wallace speaking on the Interim Act. Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2377.

217. The Vancouver Sun 11 April 1974, p. 2.

218. Donald Phillips speaking on Bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 9 April 1974, p. 2361.

219. David Anderson speaking on the Interim Act. Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2330.

220. Scott Wallace speaking on Bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2377.

which were created almost instantly because of the kind of regulations that the government decided to put in the form of rent controls.[221]

iii) Creation of a Black Market

The opposition argued that a high-demand, low-supply situation, like the rental market in 1973-74, breeds a black market. According to their view, rent control will exacerbate the housing shortage and landlords will take advantage of this shortage by illegally charging "key money". The net loser will be the tenant who is desperate for housing. Liberal leader, Gordon Gibson, put it this way:

If there is anything any systems of controls has proved over the past generation--with the exclusion of controls during wartime, and even then to some extent--it is that controls where there is a very strong demand situation and a poor supply breed problems in black market operations and difficulties of all sorts un contemplated by the controllers in the first instance.[222]

Social Credit MLA, Donald Phillips agreed saying:

I predict that one of the greatest black market situations in apartment buildings in any city in Canada will develop in the City of Vancouver in the very near future.[223]

Conservative leader Scott Wallace added that:

there's a real possibility that when you make it more and more difficult to control a commodity that is in short supply, you simply create a black market or you encourage breaches of the law. Whether it is in the form of key money or other devices is beside the point. The fact is that it does happen.[224]

221. Robert McClelland speaking on Bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2389.

222. Gordon Gibson speaking on Bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 8 April 1974, p. 2336.

223. Donald Phillips speaking on Bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 9 April 1974, p. 2365.

224. Scott Wallace speaking on Bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2377.

iv) Conversion of Rental Units to Condominiums

Rent control, it was argued, would increase the amount of conversions to condominiums since the limit on allowable rent increases would reduce the attraction of rental investment. Opposition members claimed that not only would the rental supply not be increased by new construction but that it would be reduced through conversion to condominiums. Conservative leader, Scott Wallace, made this point by saying the consequence of rent control:

will certainly be to further increase the trend to conversion of apartments to condominiums with the net result of actually reducing the number of rental units available.[225]

v) Attacks Public Morale

Not even the psychological well-being of individuals was safe from rent control. The opposition argued that by reducing the availability of quality housing, rent control would damage tenants' psyche. Don Phillips claimed that:

When decent accommodation is not available, people lose heart and they become despondent. Is this what is going to happen in downtown Vancouver?[226]

On a similar theme, the Social Credit Party was concerned about preserving individual initiative. When rent control was first introduced, Social Credit MLA, James Chabot asked the government this:

225. Dr. Scott Wallace speaking on the Interim Act. Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2377.

226. Don Phillips speaking on the Interim Act. Debates of the B.C. Legislative Assembly, 9 April 1974, p. 2365.

Are you against that concept of people looking after themselves? It appears the only people you are concerned about are those people who need handouts from the state.[227]

E) Social Credit Supports Rent Control

During the 1974 to 1976 period, the Social Credit Party did not always oppose rent control. Although the Party believes in a free market philosophy and strongly opposed the introduction of rent control, their viewpoint changed during the 1975 provincial election.

In the 1975 election, the Social Credit Party's campaign platform included rent controls. Half-page advertisements were taken out in city papers that stated in bold letters: "Social Credit will not abolish rent controls....Any removal of rent controls at this time would only create a chaotic housing situation." (See Figure 1)[228]

The reasons for the Social Credit Party's sudden turn-about are not entirely clear. Obviously, the timing suggests that it was politically expedient for them to support rent control. Also, their new-found support may have been in response to the federal government's program of wage and price controls.

On 13 October 1975, Prime Minister Trudeau announced a program of wage and price controls which was to be administered by the Anti-Inflation Board (AIB). This program required provincial legislation to control rents because constitutionally, landlord-tenant relations fall within provincial jurisdiction.[229] The federal government sought

227. James Chabot speaking on Bill 75 (Interim Act). Debates of the B.C. Legislative Assembly, 10 April 1974, p. 2396.

228. It is interesting to note that this advertisement appeared the day before the 11 December election. The Colonist, 10 December 1975, p. 23. The same advertisement also appeared in the Vancouver Sun and the Province. See The Vancouver Sun, 10 December 1975, p. 19; and The Province, 10 December 1975, p. 19.

229. W.T. Stanbury and Peter Thain, The Origins of Rent Regulation in Ontario (Commission of Inquiry into Residential Tenancies: Research Study No.17) 1986, p. 5-27.

1975 Election Campaign Advertisement
The Social Credit Party

Social Credit will not abolish rent controls.

Any removal of rent controls at this time would **only** create a chaotic housing situation.

Social Credit is committed to keeping the present legislation which limits the extent of rent increases.

This is only part of the answer to the high cost of shelter. A Social Credit government will encourage and assist in the construction of more, low-cost rental housing, so that more people can live comfortably and decently, within their means.

Putting fear into the minds of British Columbians of all ages by suggesting that our party will abolish rent controls is unfair and a sad commentary on the election campaigning of the present government.

On December 11, vote the way you want to.
Vote Social Credit.

Social Credit. A new way to work together.



Sponsored by the British Columbia Social Credit Party

Figure 1

Source: The Province, 10 December 1975, p. 13.

provincial co-operation with rent control and provided suggestions as to how such controls might be implemented. In his policy statement presented on 14 October 1974, the federal Minister of Finance stated:

The provincial governments are being asked to undertake responsibility for implementing a program of rent control based upon the following principles: (a) increases up to a certain percentage would be permissible, (b) increases above this percentage must be justified on the basis of increased costs, (c) new structures where rents have not been established would be exempt from control for at least five years after completion of the building, in the event that rent control should be in effect for that length of time. This is to ensure an adequate incentive for construction of new rental accommodation.[230]

It should be noted that all three of these suggestions were already contained within B.C.'s rent control system at the time.

The discussion of the following two periods of rent control shows that the Social Credit Party again reversed their position and introduced decontrol measures in 1977 and eliminated rent control completely in 1983.

3.3 The Beginning of Rent Decontrol: 1977 to 1978

The introduction of the 1977 Residential Tenancy Act signalled the beginning of a new era of rent control. This act replaced the 1974 Landlord and Tenant Act and contained provisions for the beginning of rent decontrol. These measures were introduced even though the federal government's anti-inflation strategy was still in place. The wage and price policy was not withdrawn until 14 April 1978 whereas the new Residential Tenancy Act was introduced on 17 August 1977.

230. Attack on Inflation: A Program of National Action. (Ottawa: Department of Finance, 1975) p. 19.

The 1977 act served to: a) reduce the maximum rent for decontrolled units from \$500 to \$400; and b) remove the five year exemption on all new construction. In effect, these changes meant that all units renting for more than \$400 were exempt from rent control and that new rental buildings were made permanently exempt. Amendments to the act in 1978 decontrolled rents further by designating rent ceilings based on the number of bedrooms per rental unit. The 1978 changes meant that the allowable rents varied depending on whether the unit had one, two, or three bedrooms. The combined effect of all of these changes was to weaken rent control and to steadily increase the number of rental units outside the rent regulations.

Both the NDP and the Social Credit Party resumed their original positions on rent control during the debate over decontrol. The debate shows that the Social Credit Party still favoured a largely unfettered rental market while the NDP still advocated more government intervention. However, the tone of the debate changed slightly in that the Social Credit Party now approved of temporary forms of rent control under certain circumstances. Their opposition in the 1974 to 1975 period was against permanent rent controls. When he introduced the new act, Consumer and Corporate Affairs Minister Rafe Mair said:

I make no secret of the fact that I don't like rent control. I believe it may be necessary to control rents at some times and in some economies, but I do not believe it is necessary, or indeed wise, to control rents in this economy for all time. I do believe that permanent controls would be disastrous over the long term because it would lead to falling investment in new construction and falling maintenance of the existing stock of rental housing....The horror stories of rent control in other jurisdictions are essentially stories of governments not wanting to squarely face the issue of permanent rent and ownership control.[231]

231. Rafe Mair speaking on the 1977 Residential Tenancy Act. Debates of the British Columbia Legislative Assembly, 29 August 1977, p. 5001.

The Social Credit government believed that decontrol would lead to higher vacancy rates which would, in turn, provide more choice to tenants. As mentioned previously, the provision of choice is one of the underlying tenets to the opposition's position on rent control. Liberal leader, Gordon Gibson, argued in favour of decontrol measures saying:

To me, that is the sensible way to maximize the choice open to the individual and provide the best solution, both for the individual and the economy, in the long run.[232]

The opposition once again bolstered their position by deferring to neo-classical economists. During the debate over rent decontrol, Gordon Gibson's speeches were punctuated with references to economists. In his words:

I want to quote from the document put out by the Fraser Institute called "Rent Control - A Popular Paradox.

Later the Liberal leader went on to say:

I am going to quote from a study done by professors Hamilton and Baxter at the University of British Columbia...titled "Landlords and Tenants in Danger: Rent Control in Canada.[233]

The NDP's position also remained unchanged--they still believed that the rental market, on its own, was unable to meet the housing needs of all. When decontrol measures were introduced in 1977, Alex Macdonald argued that:

I don't believe that you can just say we will try the old capitalistic system that if you maximize the profits in the hands of landowners and builders and developers sufficiently, they'll provide a stock of residential and rental housing for the people. It doesn't work that way anywhere in the world. It just doesn't happen.[234]

232. Gordon Gibson speaking on the 1977 Residential Tenancy Act. Debates of the B.C. Legislative Assembly, 29 August 1977, p. 5020.

233. Gordon Gibson speaking on the 1977 Residential Tenancy Act. Debates of the B.C. Legislative Assembly, 29 August 1977, pp. 5018-19.

234. Alex Macdonald speaking on the 1977 Residential Tenancy Act. Debates of the B.C. Legislative Assembly, 29 August 1977, p. 5021.

The NDP accused the Social Credit Party of being elitist and argued that decontrol measures would hurt those who were most vulnerable to huge rent increases. Arguing in defense of low-income renters, MLA Dennis Cocke said:

we just cannot support a bill that jeopardizes the poorer people, the older people, and the people who most need somebody speaking out for them because they are powerless themselves.[235]

Emery Barnes added that:

this government has a fundamental philosophy that is exploitive, classist, elitist and in every respect is of the "have" mentality. It is the power syndrome. It is not a party of compassion and concern for people who are unable to defend themselves and have no mechanism whereby they can gain access to government decision-making.[236]

The issue of landlord and tenant rights was raised again during the debate over rent decontrol. Consumer Affairs Minister Rafe Mair, is reported to have said that the present situation was slightly pro-tenant and that the 1977 Residential Tenancy Act would strike a better balance.[237]

The NDP's concern for tenant rights also remained unchanged. They believed that the decontrol measures jeopardized tenants' rights. Mr. Barnes argued that:

The tenant should have some security and some rights, and obligations as well....I'm not here to suggest that tenants should be defended at all costs, but I think that tenants have rights, and these should be quite clear. There shouldn't be any question on the part of our government or any government respecting the rights of tenants.[238]

235. Dennis Cocke speaking on the 1977 Residential Tenancy Act. Debates of the B.C. Legislative Assembly, 29 August 1977, p. 5023.

236. Emery Barnes speaking on the 1977 Residential Tenancy Act. Debates of the B.C. Legislative Assembly, 29 August 1977, p. 5037.

237. The Vancouver Sun 4 June 1977, p. 17.

238. Emery Barnes speaking on the 1977 Residential Tenancy Act. Debates of the B.C. Legislative Assembly, 29 August 1977, p. 5040.

NDP concern for tenant rights was re-iterated during their discussion of security of tenure. They argued that rent decontrol would make tenants more susceptible to economic eviction because tenants would be unable to pay the expected huge rent increases that would result from rent decontrol. During the debate MLA Alex Macdonald said:

The concept of security of tenure, which is a very necessary part of the rentalsman's role, and the kind of security that we've provided in the last few years is going to go out the window little by little as the minister phases out controls.[239]

Emery Barnes agreed saying:

this big bombshell where they're going to take away people's rights as tenants, who now find that there is no security. There's no way in the world that people who go into any tenancy right now or in the future after this bill is passed are going to feel safe. Because if the landlord can't get you one way, he'll get you another.[240]

Security of tenure was a "new" issue in that there is no evidence in the legislative debates or newspapers indicating that it was a concern for the NDP prior to the 1977 debate. The introduction of security of tenure underscores William Stanbury's assertion that rent control is a dynamic policy and that as it evolves, the arguments for its continuation are likely to alter.[241]

3.4 The Elimination of Rent Control: 1983 to 1984

Rent control was formally ended on 6 June 1983 in the Finance Minister's annual budget. At the same time, the Social Credit government extended the rent review system (introduced in 1980) another year in an attempt to help smooth the transition to a rent control-

239. Alex Macdonald speaking on the 1977 Residential Tenancy Act. Debates of the B.C. Legislative Assembly, 29 August 1977, p. 5022.

240. Emery Barnes speaking on the 1977 Residential Tenancy Act. Debates of the B.C. Legislative Assembly, 29 August 1977, p. 5042.

241. W.T. Stanbury, The Normative Bases of Rent Regulation p. 1-6.

free market. Rent regulation in British Columbia came to a complete halt in 1984 with the lifting of rent review. In 1984, a new Residential Tenancy Act was introduced which outlines the regulations that currently affect all residential tenancies.

In 1983, the NDP and the Social Credit Party once again differed over the question of how much government intervention in the rental market was required. The Social Credit Party eliminated rent control because of their long-held belief in the efficiency of an unrestrained market. Their confidence in the marketplace was made clear in the arguments put forward by Consumer and Corporate Affairs Minister Jim Hewitt. Referring to his government's elimination of rent control he said:

It's fair to say that this government identified this particular time as a window in which we could move to let the marketplace work and allow renters the opportunity to have available to them rental accommodation and have competition as opposed to government intervention in the marketplace.[242]

Mr. Hewitt went on to argue that fair rents should be determined by the rental market, not by government. In his words:

the competition of the marketplace will determine what price a person pays for an apartment. That's the way it should be. The marketplace should be allowed to work.[243]

He repeated the importance of an unfettered rental market in 1984 during the debate over the elimination of rent review. In his words:

Behind the thrust of this bill and many other pieces of legislation we've brought before this House is this key: the fact that government has been too involved in the marketplace in the past.[244]

242. Jim Hewitt speaking on the 1983 Residential Tenancy Act. Debates of the B.C. Legislative Assembly, 10 August 1983, p. 727.

243. Jim Hewitt discussing Bill 5, British Columbia Legislative Debates. 12 July 1983, p. 248.

244. Jim Hewitt speaking on the 1984 Residential Tenancy Act. Debates of the B.C. Legislative Assembly, 10 April 1984, p. 4321.

Lands, Parks and Housing Minister Tony Brummet also viewed an unfettered private market as the best way to provide housing. In 1983, when asked about the effect that lifting controls would have on low-income earners, he said that "you have to have some faith in the market. Temporarily you may have a bit of a problem" for lower-income families he admitted "but I really think rents will come down to what people can afford." He predicted that in the long run, developers will begin to build cheaper apartments if that's all that people will rent.[245]

The Social Credit government argued that removing rent control would: a) result in increased rental construction; and b) result in higher vacancy rates. Landlords and tenants, they argued, would both be much better off. Speaking of these accrued benefits Jim Hewitt said that:

I believe these deregulatory measures will ultimately result in new real estate development, more jobs and a continuing healthy availability of rental accommodation.[246]

He went on to say that:

It is a renters' market. We move out of that field, and as time goes on new development will take place to fill the need for rental accommodation because landlords and developers are not bound by legislation as to what they can charge. As a result there will be a reasonable vacancy rate in the future as well as now.[247]

The Social Credit government also thought that lifting rent control would be a good character builder for the average British Columbian. In the words of Social Credit MLA Donald Campbell:

245. The Vancouver Sun, 15 September 1983, p. A3.

246. Jim Hewitt discussing Estimates: Ministry of Consumer and Corporate Affairs. B.C. Legislative Debates, 19 October 1983. p. 2849.

247. Ibid. p. 2855.

The people out there want to be able to provide for themselves. The people in B.C. are hard-working people, and they want to provide for themselves. But because the government has got involved in the marketplace so many times, it has destroyed the initiative of the people, so today they don't know what they should be doing. This government has to get out of the marketplace so that these people can provide for themselves.[248]

As in the earlier periods of rent control, the Social Credit Party substantiated their views by deferring to neo-classical economists. In 1983, Consumer and Corporate Affairs Minister Jim Hewitt said that removing rent control was the right thing to do because:

economists around the world state that rent controls are detrimental to the housing markets and to the consumer as well.[249]

During debate over the 1984 Residential Tenancy Act he again stressed his confidence in economists. In his words:

We feel, as economists have stated in the past and continue to state, that it will provide opportunities for new construction in a society where you don't have rent controls.[250]

The NDP were critical of the government's reliance on economists and economic institutions. Speaking on the 1983 budget that eliminated rent control, MLA Graham Lea said:

When you see the Fraser Institute and its director sitting in at the planning of the budget with the cabinet, and then you see everything that the Fraser Institute believes in coming into the Legislature in legislative form, you have to believe that there is some connection.[251]

248. Donald Campbell speaking on Bill 5. Debates of the B.C. Legislative Assembly, 18 August 1983, p. 908.

249. Jim Hewitt speaking on the 1983 budget debate. Debates of the B.C. Legislative Assembly, 12 July 1983, p. 248.

250. Jim Hewitt speaking on Bill 19, the proposed 1984 Residential Tenancy Act. Debates of the B.C. Legislative Assembly, 10 April 1984, p. 4320.

251. Graham Lea speaking on the 1983 budget that ended rent control. Debates of the B.C. Legislative Assembly, 23 September 1983, p. 1916.

The same criticism was raised by Robin Blencoe in 1984 during debate over the new Residential Tenancy Act:

what we have in British Columbia in terms of the Residential Tenancy Act and regulations...[is] not coming from some of the saner members of the government. It's coming from that weird and wonderful group, the Fraser Institute. They are the ones who are directing the government these days.[252]

The NDP's view of the rental market's inability to meet the needs of all British Columbians remained unchanged. They still maintained that the market possesses problematic flaws that prevent it from operating efficiently. Gary Lauk described the operation of the rental market this way:

To argue that the free market system will take care of rents...You show me where one rent in the West End of the city of Vancouver has been reduced during the high vacancy rates. They don't go down in the free market system; they only go up...The law of supply and demand does not apply to accommodation. It doesn't work. Rents go up, they don't go down.[253]

Mr. Lauk repeated this argument in 1984 during the debate over the new Residential Tenancy Act. In his words:

there is no free enterprise in housing. There hasn't been in 7,000 years. There hasn't been free market housing in 7,000 years, and there never will be. There's no such thing as supply and demand in housing. It's always government-regulated or -effected control, directly or indirectly. You can't have it any other way.[254]

The NDP also argued that there was nothing new about government intervening in the marketplace. They maintained that rent control was just one of many forms of government

252. Robin Blencoe speaking on the 1984 Residential Tenancy Act 9 April 1984, p. 4308.

253. Gary Lauk, discussion over Bill 5. B.C. Legislative Debates, 12 July 1983, p. 220.

254. Gary Lauk speaking on Bill 19, (1984 Residential Tenancy Act). Debates of the B.C. Legislative Assembly, 10 April 1984, p. 4318.

intervention and that landlords and investors welcome government's involvement so long as it benefits them. In the words of Gary Lauk:

If you can't argue that rent controls are a form of artificial restraint in the free market system, then you'd have to argue that zoning is, that the control of interest rates in the central bank is and that the chartered bank act is. I find that the argument is a one-sided argument. Where a free market system benefits the owner, the investor, the industrialist or the banker, then he wants free enterprise. If it doesn't benefit him he wants regulation.[255]

The issue of landlord and tenant rights remained divisive at the time rent control was eliminated. The Social Credit government argued that it was time landlords had their rights, which were taken away under rent control, re-instated. In the words of Consumer and Corporate Affairs Minister Jim Hewitt:

We also recognized--which the NDP legislation would never really recognize--the fact that the landlord has rights. The landlord has some rights too, and certainly has the right to deal with his own property, in which he has made an investment, recognizing that he has to take into consideration the fact that a tenant occupies the premises.[256]

The NDP, on the other hand, viewed the termination of rent control as a regressive step in the advancement of tenant rights. NDP Housing Critic Robin Blencoe said that:

the government in its wisdom is going back or shifting the fine balance between landlord and property holders--or the landed gentry, if you will--in terms of their rights, and the idea that was starting to be built up in the province of British Columbia that tenants also had rights and that the equation should be fairly equal. However, there's a feeling in British Columbia that there's a philosophical shift by this government that tenants should have a minor position in that equation.[257]

255. Gary Lauk (NDP) speaking on Bill 5, Debates of the Legislative Assembly (British Columbia) 19 October 1983, p. 2856-57.

256. Jim Hewitt speaking on Bill 19 (1984 Residential Tenancy Act). Debates of the B.C. Legislative Assembly, 10 April 1984, p. 4320.

257. Robin Blencoe speaking on the Residential Tenancy Act (Bill 5). Debates of the B.C. Legislative Assembly, 20 October 1983, p. 2882.

Mr. Blencoe went on to call the proposed new Residential Tenancy Act "a landlords' charter." [258]

The NDP raised the issue of security of tenure again and argued that the elimination of rent control meant that tenants would not be protected from economic evictions. Robin Blencoe claimed that the proposed Residential Tenancy Act provided "tenants with weak tools with which to protect their security of tenure." [259]

3.5 Summary

Rent regulation was clearly a hotly contested policy in British Columbia. There was no question in the minds of opposition members that it would create havoc not only with the housing market but with the investment mood and psychological well-being of British Columbians. The NDP were equally adamant that regulations were needed to combat inflation and to protect tenants from the rental market's shortcomings.

The positions of the NDP and the Social Credit Party remained consistent throughout the ten year period of rent regulation. The only exception is the 1975 provincial election when the Social Credit Party reversed their position and campaigned in support of rent control.

This chapter has shown that the basis of disagreement between the NDP and the Social Credit Party focussed primarily on two issues: a) the confidence that each party placed in the private market; and b) the balance of rights between landlords and tenants. The NDP believed that the private market did not always provide for social justice and that such

258. The Times-Colonist 5 April 1984, p. B1.

259. The Victoria Times-Colonist 4 May 1984, p. A4.

instances justified government intervention. They also maintained that tenants needed more rights to equal the balance between themselves and landlords.

Furthering social justice was not the Social Credit Party's frame of reference for this issue. Their concern focussed on the ability of the market to operate efficiently with a minimum of government intervention. With respect to the issue of landlord-tenant rights, they believed that rent control unfairly increased tenant rights at the expense of a properly functioning rental market. They believed a properly functioning rental market would protect tenant rights better than a government regulated rental market.

The next chapter describes the evolution of B.C.'s rent control system and its particular design characteristics.

CHAPTER 4

RENT REGULATIONS IN BRITISH COLUMBIA: HISTORY AND DESIGN CHARACTERISTICS

This chapter describes the rent regulation system which was in place in British Columbia from 1974 to 1984. It is divided into two parts. The first provides the historical context in which rent regulation occurred. The second describes the design characteristics of the British Columbia system. Understanding the nature of the system is essential to understanding the impact it had on the province, particularly Vancouver. The importance of defining a specific rent control system is underscored by William Stanbury who said:

A fruitful analysis of rent regulation in a particular jurisdiction requires that very close attention be paid to the details in the design of that system and to the "nitty gritty" of how that system is implemented in practice. The impact of controls, perhaps more than any other types of regulation, hinges on a deep understanding of a considerable number of details....The most rigorous and elegant theory of rent controls will have little predictive power unless it takes into account the details of the specific system of controls it seeks to understand.[260]

4.1 History of Rent Regulation In British Columbia

Rent regulation is a very dynamic form of government regulation. The many changes in the system are due to several factors: a) it is often legislated in haste; b) many ramifications are usually not understood until the system is in place; and c) it must respond to changing

260. William Stanbury quoted by John Sewell, The Globe and Mail, 12 December 1985, p. A21.

economic and political pressures.[261] The evolution of the British Columbia system clearly demonstrates the effects of these factors. British Columbia did not have one but several different types of rent regulation systems from 1974 to 1984.

Rent control was the first form of rent regulation used in Canada and was introduced during wartime. The first rent control legislation was the 1927 War Measures Act. The rent control provisions of this Act were implemented again in 1941 by the Federal Wartime Prices and Trade Board in order to set a maximum rent level for certain types of accommodation. Rent control remained in place until the end of World War II when a period of decontrol began.

In 1951 the power to regulate rents was transferred from the federal government to British Columbia under the province's 1951 Leasehold Regulations Act. The provincial government subsequently adopted the Rent Control Act in 1954 which passed jurisdiction over rent control from the province to the municipal governments. Neither the provincial government under the 1951 Act nor the municipal governments under the 1954 Act exercised their power to establish rent ceilings.[262]

The lapse of rent control in the 1950's was common across Canada. Only the provinces of Quebec and Newfoundland retained a form of rent regulation system. Aside from these two provinces, British Columbia became the first province to introduce a system of "second generation" rent controls in the period since the war.[263]

261. W.T. Stanbury and I.B. Vertinski, Rent Regulation: Design Characteristics and Effects (Toronto: Research Study No. 18 prepared for the Ontario Commission of Inquiry into Residential Tenancies, 1985), p. 5-1.

262. George B. Klippert, Residential Tenancies in British Columbia (Toronto: Carswell Co. 1976), pp. 4-5.

263. Stuart Thom, Commissioner. Report of the Commission of Inquiry Into Residential Tenancies Vol. I (Toronto: Ontario Ministry of the Attorney General, 1987), pp. xix-xx.

The first step toward rent control in B.C. was taken in 1970 when the Landlord and Tenant Act was amended. Prior to this time, the body of law which regulates the landlord-tenant relationship remained essentially unchanged since the establishment of British Columbia in 1858. The law was based on common law and did not distinguish between commercial and residential property.[264] Table 4 provides a chronology of provincial rent legislation from 1951 to the present.

The 1970 changes regulated increases in rent by requiring three months notice, limiting increases to one per year and tying increases to the tenancy agreement. The 1970 amendment also expanded tenants' security of tenure by requiring landlords to demonstrate reasonable cause before evicting tenants. Prior to this, landlords were allowed to evict tenants without specifying the reason.[265]

A further amendment was made to this act in 1973 which tied the annual rent increase to the unit, rather than to the tenancy agreement which removed the landlord's incentive to evict tenants in order to raise rents.[266]

264. The Law Reform Commission of British Columbia, Report on Landlord and Tenant Relationships, Project No.12. (Victoria: 1973) pp. 5-7.

265. Klippert, Residential Tenancies in B.C., pp. 2-3.

266. Eric Adams et al., Government Intervention in Housing Markets: an Overview, (Toronto: Research Study No. 29 prepared for the Ontario Commission of Inquiry into Residential Tenancies, 1986), pp. 15-16.

Table 4

**Historical Summary of Residential Rent Legislation
In British Columbia**

An Act to Provide for the Regulation of Leaseholds, 1951

An Act Respecting Rent Control, 1954

Commercial Tenancy Act, 1960

Landlord and Tenant Act, 1960

An Act to Amend the Landlord and Tenant Act, 1970

An Act to Amend the Landlord and Tenant Act, 1973

Residential Premises Interim Rent Stabilization Act,
(Bill 75), 24 March 1974

Landlord and Tenant Act, (Bill 105), October 1, 1974

Landlord and Tenant Amendment Act, (Bill 169),
November 21, 1974

Residential Tenancy Act, 1977, R.S.B.C., 1979, C. 365

Residential Tenancy Amendment Act, 1980

Residential Tenancy Act, (Bill 5) 1983

Residential Tenancy Act, (Bill 19), 1984

Residential Tenancy Amendment Act, (Bill 47), 1989

[1]

1. . Adams et al., Government Intervention In Housing Markets, Table 3, p. 60.

Rent control was part of the New Democratic government's increasing involvement in the housing sector. In 1972, the NDP was elected on the promise of "a New Deal for People." Housing was one of the campaign planks and the party stated that "housing is a basic right and must be provided on the basis of need rather than profit".[267] When Housing Minister, Lorne Nicolson, spoke on the 1974 budget he declared:

This government is dedicated to the proposition that good housing at a reasonable cost is the right of each and every British Columbian, regardless of whether he is rich or poor, lives in Vancouver or Chetwynd, comes from pioneer stock or is a newcomer to this province.[268]

Once elected, the NDP carried out extensive housing programs including:

- creating the first provincial Department of Housing;
- introducing a large-scale land assembly program for rental housing;
- increasing grants to homeowners and tenants;
- expanding public housing programmes; and
- allowing homeowners over the age of 65 to defer property taxes until their property was sold.[269]

In the words of MLA Rosemary Brown, the government was "going into the business of supplying housing." [270] One of the most important achievements of the NDP was to

267. Ben Achtenberg and Emily Paradise, "B.C. Three Years Later," Working Papers for a New Society Vol III, No.4 (Winter 1976):16.

268. Lorne Nicolson speaking on the 1974 budget. Debates of the B.C. Legislative Assembly. 14 February 1974, p. 209.

269. Achtenberg and Paradise, "B.C. Three Years Later," p. 16; Jaffary, Housing and Rent Control in B.C. pp. 116-21.

270. The Province, 12 March 1973, p. 9.

include, for the first time, renters and the rental housing sector in provincial housing policy.[271]

As mentioned in the previous chapter, rent control was introduced only as a temporary measure under the 1974 Residential Premises Interim Rent Stabilization Act (hereafter referred to as the Interim Act) until the new Landlord and Tenant Act could be implemented. However, the Interim Act ended up being the forerunner to a more elaborate rent regulation system. The Act was made retroactive to 1 January, 1974 and was intended to limit rents up to 8% for one year. The figure of 8% seems to have been arbitrary.[272] This type of measure is generally considered to be a "restrictive" form of rent control since it does not allow landlords to appeal for a greater return on their investment.[273] The Interim Act applied to all residential units except those owned by the government and those where the unit was attached to a business and was under a single lease.[274] This Act did not include an enforcement mechanism--tenants had to pursue complaints through the Small Claims court. It applied to the whole province but contained provisions whereby regions and municipalities could be exempted from the Act. The Districts of Coldstream, Salmon Arm, and Fraser-Fort George were subsequently exempted.[275]

271. Beverly Grieve, "Continuity and Change: Provincial Housing Policy in British Columbia 1945-1985," (M.A. thesis, University of British Columbia, 1985), p. 93.

272. S.W.Hamilton and David Baxter, Landlords and Tenants In Danger (Winnipeg: Appraisal Institute of Canada, 1975), p. 24.

273. John Gilderbloom and Richard Appelbaum, Rethinking Rental Housing (Philadelphia: Temple University Press, 1988), p. 128.

274. Rent Control - A Time For Decision (Toronto: The Real Estate Institute of Canada, 1982), p. 42.

275. British Columbia Regulations 339/74, 358/74, and 481/74.

At the time the province introduced rent regulation, it also introduced condominium conversion controls as another way to address the problems created by a tight housing market. The rental conditions in 1972-74 that resulted in tenants being "gouged" by their landlords also resulted in a wave of conversions of rental housing to condominiums. Newspaper stories describing the plight of elderly people being evicted because their homes were being converted to condominiums were no less heart-rendering than the stories of the those who were evicted because they could not afford their rent.[276]

The problem was especially acute in Vancouver. Data compiled by Stanley Hamilton show that high increases in conversions began in 1971. In that year, 7 conversion projects involving 119 rental units were registered in the Metropolitan Vancouver Land Registry Office. By 1972, this figure jumped to 14 projects with 305 units (See Table A-16).[277]

The NDP government responded to the conversion problem in two ways: a) by giving municipalities control over conversions; and b) by ensuring greater consideration be given to the well-being of tenants. In order to give municipalities control over conversions the government amended the Strata Titles Act in 1974. Section 5 gave municipalities control over proposed conversion projects:

Upon the conversion into strata lots of a previously occupied building, or of a building in respect of which no building permit was issued on the basis that the building was to be included in a strata plan, the approving authority may, notwithstanding any other Act, approve the strata plan, or refuse to approve

276. See for example, The Vancouver Sun May 30 and June 6 1973.

277. S.W.Hamilton, ed. Condominiums: A Decade of Experience in B.C. (Vancouver: British Columbia Real Estate Association, 1978) p. 13. The Vancouver Land Registry office encompasses the areas of North and West Vancouver, the City of Vancouver, and the Sunshine Coast.

it, or approve it subject to such terms and conditions as the approving authority considers appropriate, and its decision is final.[278]

Prior to this amendment an owner could convert a building without municipal approval.[279] The provincial government was obviously concerned about preserving the rental stock since this provision stipulated that municipalities, when considering conversion applications, "shall consider the priority of rental accommodation over privately owned housing in the area."[280] According to Hamilton, this amendment had the effect of slowing conversion activities.[281]

At the same time, the 1974 Landlord and Tenant Act was changed to require landlords to provide 120 days notice to tenants and to pay up to \$300 for moving costs.[282] These measures were later changed by the Social Credit government in 1984 so that landlords only had to provide two months notice and were no longer required to pay tenants' moving expenses.[283]

Prior to the 1974 Landlord and Tenant Act, the Attorney-General requested the Law Reform Commission of British Columbia to undertake a review of landlord-tenant relationships in 1973. In his request, the Attorney-General cited the "urgent need for guidance

278. Strata Titles Act S.B.C.1974, c.89, s.5.(1).

279. Hamilton, Condominiums, p. 136.

280. Strata Titles Act S.B.C.1974, c.89, s.5(2)(b)(i).

281. Hamilton, Condominiums, p. 13. Data in this study was only compiled for the 1971 to 1977 period.

282. 1974 Landlord and Tenant Act S.B.C.1974, c.45, s.20(1)(3).

283. 1984 Residential Tenancy Act S.B.C.1984, c.15, s.29(6).

with respect to the present Provincial legislation regarding the subject of landlord and tenant." [284]

The Commission's main recommendations included: a system of tenure security to all tenants; the removal of landlord and tenant disputes from the provincial courts; and the establishment of a Rentalsman. [285] Although the Commission did not take a stand on rent control, it emphasized the relationship between security of tenure and rent regulation:

One point remains to be made. We have recommended that a scheme of tenant security be implemented in this Province, and have stated our belief that it can successfully be operated without concomitant controls on rent.

This belief must, of course, be modified by a recognition of the fact that the security of tenure which a tenant may enjoy may be put out of his reach by an increase in rent which he is unable to afford. A model tenant against whom no complaint is likely to be made may be dislodged by a rental increase more easily than an undesirable tenant may be evicted for cause. On the broad front this may be a problem which can be solved only by the institution of a substantial rent control system. [286]

Most of the recommendations made by the Law Reform Commission were encompassed in the new Landlord and Tenant Act. [287] The 1974 act has been praised for providing tenants with greater rights and protection from costly rent increases. For example, two analysts, Ben Achtenberg and Emily Paradise, called it "by far the most progressive tenant legislation in Canada." [288] It introduced sweeping changes to the

284. Law Reform Commission of British Columbia, Report on Landlord and Tenant Relationships, p. 7.

285. Ibid., pp. 162-65.

286. Ibid., p. 75.

287. Rafe Mair, Minister of Consumer and Corporate Affairs, speaking on the 1977 Residential Tenancy Act. Debates of the B.C. Legislative Assembly, 29 August 1977, p. 5000.

288. Achtenberg and Paradise, "B.C. Three Years Later," p. 16.

rental sector including the creation of the Rentalsman's office and enhanced security of tenure provisions.

The act included a scheme of rent control whereby the cabinet, on the Rentalsman's recommendation, would set an allowable rent increase. Landlords were allowed to charge more than this amount if the tenants did not object or if the Rentalsman found the higher rents "justified." In addition, the act contained provisions that regulated maintenance, repairs, and security deposits of rental units. As with the Interim Act, rent control applied to the whole province but there were provisions for regions and municipalities to become exempt. This was changed later that same year in the Landlord and Tenant Amendment Act so that no area could be exempted.

The Landlord and Tenant Act included several categories of accommodation which were exempt from rent control including:

- units renting for more than \$500 per month;
- buildings containing 2 units, one occupied by the landlord;
- landlords who had entered into a five year or longer contract agreement with the Rent Review Commission; and
- classes of residential premises that could be designated in the regulations from time to time.[289]

The number of excluded residential categories and the mechanism used to determine rent increases in this Act moved British Columbia from "restrictive" to "moderate" rent control. From this time onward, rent regulations became increasingly weak.

On 1 July 1974, a Rentalsman was appointed to administer the Act. Two weeks later, Dr. John Cragg of the University of British Columbia was commissioned to undertake a study in order to recommend to cabinet an appropriate rent increase to replace the interim 8% limit.

289. 1974 Landlord and Tenant Act, S.B.C. 1974, c.45, s.28(1).

In his September report he concluded that rent control could safely be applied to lower rents if landlords in general "are reaping and can expect to reap profits in excess of those needed to induce them to provide housing." [290]

Dr. Cragg recommended that the allowable rent increase be raised to 30% in 1975 to compensate landlords for cost increases from 1972-73 and 1973-74 that were not captured in rent increases. He recognized that 30% was a dramatic increase and proposed two schemes whereby this increase would be spread out over a period of years. The first would have seen a 16% increase in 1975, the second an increase of 21.2%. Both schemes meant that future rent increases would also be needed to bring rents up to the equivalent rent of a 30% increase in 1975. In effect, this meant that tenants would be left hostage with regard to the amount of future rent increases needed. [291]

At this point, after 3 months on the job, the Rentalsman asked to be relieved of the responsibility for regulating rent increases. He cited reasons of jeopardizing his image of impartiality which was important if he was to deal with disputes between landlords and tenants. [292]

On 4 November 1974, the Landlord and Tenant Amendment Act was introduced by the Attorney-General. It contained four important provisions:

- the creation of a separate office to review rents thereby making all matters dealing with rent levels the responsibility of the Rent Review Commission and all non-rent matters the responsibility of the Rentalsman; [293]

290. Dallard Runge, Study Director. A Comprehensive Social Housing Policy for British Columbia. (Victoria: The Interdepartmental Study Team on Housing and Rents, 1975), p. 295.

291. John G. Cragg, Rent Control Report (Vancouver: 1974). No publisher listed and pages of the report are not numbered.

292. Runge, Social Housing Policy, p. 295.

293. Landlord and Tenant Amendment Act, (No.2), S.B.C. 1974, c.109, s.24.

- the allowable rent increase of 8% was increased to 10.6% effective 1 January 1975;[294] The government rejected Cragg's recommendation of 30% because it used the high interest rate of the previous two years and applied it to all buildings including those older ones which were constructed when land and construction costs were lower.[295]
- new rental accommodation first occupied on or after 1 January 1974 was exempted for five years;[296] and
- security deposits were limited to half of one month's rent. Landlords would then credit the tenant with 8% interest per year on the deposit.[297]

In February 1975, the Attorney-General and the Minister of Housing commissioned the Interdepartmental Study Team on Housing and Rents to "document the magnitude of trends in the housing and rental markets, consider alternatives and recommend suitable policies".[298] As part of its mandate, the Study Team was to study the future of rent control in B.C. and the implications of rent control on the housing sector. This study constituted the first major endeavour in the analysis of housing policy in B.C.[299]

In September 1975, the Study Team released a report entitled Housing and Rent Control in British Columbia which became known as the Jaffary Report after its Chairman, Toronto lawyer, Karl Jaffary. One month later, a second report entitled A Comprehensive Social Housing Policy for British Columbia was released. This was a research staff report and it became known as the Runge Report after the Director of the Study Team, Dallard Runge.

294. Landlord and Tenant Amendment Act 1974 S.B.C. 1974, c.109, s.27(2).

295. Runge, Social Housing Policy, p. 296.

296. Landlord and Tenant Amendment Act 1974 S.B.C. 1974, c.109, s.29G(2).

297. Landlord and Tenant Amendment Act 1974 S.B.C. 1974, c.109, s.37(1)(b).

298. Jaffary, Housing and Rent Control, p. 5.

299. Grieve, "Continuity and Change," p. 82.

The two reports are very similar to each other. The titles of all of the chapters are identical with each one covering various aspects of housing in B.C. including statistical analyses, information concerning the role of government in the housing field, government housing programs, housing and taxation policy, shelter and incomes, and rent control. Both reports make the case for government intervention in housing issues, notably rent regulation.[300] The differences in the reports are minor reflecting a slight difference in emphasis.

Both reports were strongly criticized by Raymond Heung, an economist from the Fraser Institute, for relying on "personal judgment and intuition" instead of "economic logic".[301] According to Heung:

The nobility of purpose and the compassion for needy households that permeate the two Reports are above reproach. Yet concern for the poor and needy does not preclude the application of economic logic and must not be permitted to do so. In the end it is sound economic thinking that will improve the situation of the poor and not wishful thinking of the sort provided in these Reports.[302]

The NDP government was defeated on 11 December 1975. It had intended to reduce the maximum allowable rent increase to 8% beginning 1 January 1976 which was the recommendation of the Jaffary Report. The Social Credit government continued rent control but extended the 1975 limit of 10.6% for another year.[303]

300. Jaffary, Housing and Rent Control, p. 72; and Runge, A Comprehensive Social Housing Policy, p. 1.

301. Raymond Heung The Do's and Don'ts of Housing Policy: the Case of British Columbia (Vancouver: The Fraser Institute, 1976), pp. 2-3.

302. Ibid.

303. Jeffrey Patterson and Ken Watson, Rent Stabilization: A Review of Current Policies in Canada, (Ottawa: Canadian Council on Social Development, 1976), p. 70.

In 1977 the Residential Tenancy Act replaced the Landlord and Tenant Act. It provided the means for beginning rent decontrol. First, it reduced the maximum rent for controlled units from \$500 to \$400.[304] Second, the provision exempting new construction for five years was eliminated. There was now no time limit on buildings constructed after

1 January, 1974.[305] Third, it reduced allowable rent increases to 7% retroactive to 1 May 1977.[306] The 7% limit remained in place throughout 1978 and 1979.

In 1978 rental units were further decontrolled based on the size of the unit (the number of bedrooms and a defined rent level). The rent level at which decontrol took place for bachelor/one bedroom units was set at \$300, for two bedroom units at \$350, and for all other units at \$400.[307] All units whose rent exceeded these levels were decontrolled.

The decontrol measures introduced in 1977 and 1978 significantly increased the amount of units outside rent control. Before these measures took effect; only a small number of units were not controlled--estimated at 4% of the total stock in 1978. By mid-1978 approximately 10% of the rental housing stock was outside rent control.[308]

304. According to B.C. Regulation 184/78, this took effect 1 April 1978 but the 1978 Annual Report of the Rent Review Commission states this was not effective until 1 August 1978.

305. Residential Tenancy Act S.B.C.1977, c.61, s.65(8)(h).

306. B.C. Regulation 459/77.

307. This provision became effective 1 February 1979. See B.C. Regulation 485/78. NOTE: Adams et al., Government Intervention in Housing Markets, p. 17 cites all units above \$350 as being subject to decontrol which appears to be erroneous.

308. NOTE: Documentation concerning the percentage of units subject to rent regulation is limited. These figures are from Peter Larmour, "British Columbia's Experience With Rent Decontrol" an Unpublished Paper (B.C. Ministry of Consumer & Corporate Affairs: Residential Tenancy Branch, 1981), p. 2.

Effective 1 January 1980, the Residential Tenancy Amendment Act, 1980 introduced a two-part rent regulation system: rent control and review.[309] Rent control was still based on the number of bedrooms per unit and the rent ceilings (i.e., \$300, \$350, and \$400) remained the same as provided for by the 1978 amendments. The maximum allowable rent increase for rent controlled units was raised to 10% effective 15 May 1980 and remained in effect until rent control was removed in 1983.[310] This increase in the allowable maximum rent increase per year (up from 7%) meant that fewer units remained under rent control.

The introduction of rent review meant that the tenant was responsible for appealing excessive rent increases.[311] Tenants could request the Rentalsman to review their rents if they did not exceed \$700 per month.[312] It was up to the tenant to define what he thought was excessive. In effect, this provision meant that tenants could seek a review of their rents regardless of whether they increased 10% or 25% so long as they remained within the \$400 to \$700 range.

The introduction of rent review increased the power of the Rentalsman in that he was now able to substitute the disputed rent with a rent increase he considered more reasonable. Rent review provided the rentalsman with the power to "make an order substituting a rent increase he considers reasonable."[313] The enforcement of rent control restrictions did

309. See Residential Tenancy Amendment Act, 1980 S.B.C.1980, c.48, s.49; and B.C. Regulation 527/80, s.19.

310. B.C. Regulation 185/80.

311. Adams et al., Government Intervention In Housing Markets, p. 17.

312. B.C. Regulation 371/80.

313. Residential Tenancy Amendment Act, 1980, c.48, s.69.1(4).

not provide him with the same flexibility. The Rentalsman's options under rent control were to:

- confirm the amount specified in the rent increase;
- substitute the rent increase with the one proposed by the tenant;
- set aside the rent increase; or
- adjudicate in accordance with a review system provided by Cabinet.[314]

Although the Rentalsman had the power to adjudicate rents under rent review, in practice, this power was not used. Instead, the Rentalsman followed the previous practice of ruling either in the tenant's or the landlord's favour. By not applying the power of adjudication, it seems that "fair" decisions were probably often missed in that the optimal amount of rent may have been somewhere between the rents proposed by the landlord and the tenant.[315]

On 6 July 1983 the Finance minister's annual budget announced the end of rent control. It was called "a budget for recovery" and was intended to help revive the province from the recession which began in 1981.[316] In the words of Consumer and Corporate Affairs minister, Jim Hewitt:

I think it's fair to say that the budget and the legislation that is being introduced responds to the mandate we were given on May 5.[317]

314. Residential Tenancy Act R.S.B.C.1979, c.365, s.69(3).

315. Telephone interview with David Lane, Chairperson, Tenants Rights Coalition, 19 March 1990.

316. British Columbia Budget 1983 (Victoria: Ministry of Finance, 1983), p. 26.

317. Jim Hewitt speaking on the provincial budget. Debates of the B.C. Legislative Assembly, 12 July 1983, p.248. NOTE: The Social Credit had recently won a provincial election on 5 May 1983.

The opposition called it "accidental Reaganism" and a "vengeful budget." [318] The budget abolished a large number of services, privatized several government agencies, and accompanying legislation allowed public-sector employees to be fired without cause. One newspaper editorial noted that rent control and human rights (the human rights branch and commission were also disbanded) were not big moneysavers. "They are services that are being eliminated or reduced to show a change in political outlook." [319]

The government considered this to be a good time to eliminate controls because, in the words of Jim Hewitt, "It's a renters' market today." [320] Finance minister Mel Couvelier agreed saying, "Both the rent and purchase markets have eased considerably in the past year." [321]

The 1983 budget only served to accelerate the end of rent control. The decontrol measures of 1977 and 1978 would have effectively ended rent control by 1985. Various estimates show that in 1983 between 35% to 45% of the provincial rental housing stock was subject to rent control. [322] According to the Rentalsman, Jim Patterson, approximately 33% of Vancouver's rental stock (30,000 units) were subject to controls in December 1982 compared to the rest of B.C. where 41% of units were under control. He predicted that by

318. David Stupich speaking on the 1983 provincial budget. Debates of the B.C. Legislative Assembly, 8 July 1983, p. 171.

319. The Vancouver Sun, 15 October 1983, p. A10.

320. Jim Hewitt speaking on Bill 5. Debates of the B.C. Legislative Assembly, 12 July 1983, p. 248.

321. British Columbia Budget 1983, p. 20.

322. For example, Jim Hewitt estimated 35% of rental units. Debates of the B.C. Legislative Assembly, 10 August 1983, p. 727. Peter Larmour, in his 1981 report, estimated that at that time (1981) 45% of all rental units were outside control, "British Columbia's Experience with Rent Decontrol," p.3.

1984 only 19% of all units throughout the province would be under control and less than 10% by 1985.[323]

Bill 5, the Residential Tenancy Act, was introduced in the slew of legislation that accompanied the budget. The bill contained provisions ending rent control immediately and for the continuation of rent review. At the same time, changes were introduced which further limited the number of cases eligible for review. The review level was reduced from \$700 to \$500 per month and increases had to be in excess of 15%.[324] British Columbia's system of rent regulation ended 30 June 1984 with the repeal of rent review.[325]

The end of rent review means that all rent increases, no matter how high, are legal and can not be appealed to any government agency. The end of rent regulation also means that any monetary disputes, such as the amount of security deposit required, must be referred to the courts.[326]

The proposed act (Bill 5) provoked a great deal of criticism from the opposition and the public. In addition to eliminating rent control, it allowed tenants to be evicted "without cause", and removed any mechanism for landlord-tenant disputes. A newspaper editorial called it "the odious legislation".[327]

Opposition to Bill 5 was so strong that on 14 December of that year, the government announced that it would not go forward. It was subsequently replaced by Bill 19, the Residential Tenancy Act which was given royal assent on 1 May 1984.

323. The Province 20 December 1982, p. A4.

324. B.C. Regulation 238/83.

325. Adams et al., Government Intervention In Housing Markets, p. 18.

326. Telephone interview with David Lane, Chairperson, Tenants Rights Coalition, 19 March 1990.

327. The Vancouver Sun, 13 February 1984, p. A4.

The new act included two important changes: a) it replaced the "eviction without cause" clause; and b) it replaced the Rentalsman's office with a Residential Tenancy Branch. The new "eviction with cause" clause meant that tenants could only be evicted when certain conditions were met (the conditions were basically the same as those included in the 1980 Residential Tenancy Act).

The responsibilities of the Residential Tenancy Branch are basically the same as the Rentalsman's with two major exceptions: the Branch lacks the power to regulate rent levels and it also lacks the power to deal with monetary issues such as security deposits. According to David Lane of the Tenants Rights Coalition, these two responsibilities constituted two-thirds of the Rentalsman's work load which indicates that the Tenancy Branch's power is extremely limited.[328] The mandate of Residential Tenancy Branch is confined to providing information and scheduling hearings for disputes between landlords and tenants.

4.2 Design Characteristics

This section describes the significant characteristics of the rent control system in British Columbia including:

- A) the mechanism used to determine allowable rent increases;
- B) units not subject to controls;
- C) the cost pass-through provision;
- D) hidden rent increases;
- E) the rent registry; and
- F) the administration of rent controls.

328. Telephone interview with David Lane, Chairperson, Tenants Rights Coalition, 19 March 1990.

A) Mechanism For Determining Allowable Increases In Rent

"The method utilized to regulate rent adjustments is the most important provision of the rent control statute." [329]

The mechanism for determining rent increases, together with the cost pass-through system provided British Columbia with a moderate form of rent control except in 1974, under the Interim Act, when these mechanisms were not yet in place. Under the Interim Act, B.C.'s rent control system was restrictive.

A rent index formula based on the concept of "fair rent" was the mechanism used in British Columbia to determine allowable rent increases. The formula was based on two components: a) operating expenses; and b) a return allowance. The return allowance was intended to guarantee landlords a profit based on current market values. It was considered to be an important measure that would ensure continued investment in rental housing.[330] According to Attorney-General Alex Macdonald, the maximum allowable rent increase in 1975 was to be "sufficient to meet anticipated operating costs as well as to maintain the values of the landlords' investment".[331]

Administrators were to determine "fair" rents based on prices and rates of comparable units. This approach has been criticized for being circular: under rent control there are no benchmarks, consequently, the administrator ends up establishing the "going" rate.[332]

329. Monica Lett, Rent Control: Concepts, Realities, and Mechanisms (New Brunswick, N.J.: Rutgers University, 1976), p. 93 quoted in Stanbury and Vertinsky, Rent Regulation: Design Characteristics and Effects, p. 2-20.

330. See Hamilton and Baxter, Landlords and Tenants In Danger pp. 30-33; and Patterson and Watson, Rent Stabilization: A Review of Current Policies In Canada, pp. 62-68.

331. Achtenberg and Paradise, "B.C. Three Years Later," p. 16.

332. Hamilton and Baxter, Landlords and Tenants In Danger, p. 28.

The concept of a fair rent return formula may have been fair in theory but in practice it worked differently. It seems that Cabinet introduced rent ceilings arbitrarily.[333] The level of the maximum allowable rents did not correspond to the level of inflation as measured by the Consumer Price Index for Metro Vancouver. For example, during the period from 1 January 1975 to 30 April 1977, the rent ceiling was 10.6% while the level of inflation ranged from 11% (1975) to 7.2% (1977) (See Table A-3). During these years, it seems that the maximum allowable rent was unfair to tenants. But from 1980 to 1982 it seems that the allowable rent was unfair to landlords. The maximum allowable rent increase was 10% from 15 May 1980 to 6 July 1983 while the level of inflation was 9.4% (1980), 14.3% (1981), and 10.5% (1982).

Further information concerning the determination of the fair rate of return formula is necessary before one can conclude how "fair" it was. Logically, it would seem that any such system should be tied to the rate of inflation.

B) Exemptions From Rent Control

Several categories of exemption clearly indicate that rent control was intended to serve a select group of people (low-income earners) in a select market (existing rather than new units).[334] Rental categories which were free of rent controls remained basically the same throughout the period with only some changes. Beginning with the 1974 Landlord and Tenant Act, exempted accommodation included:

- a) units renting for over \$500 per month;
- b) units where the landlord entered into a contract agreement with the Commission for 5 years or more;

333. Telephone interview with David Lane, Chairperson, Tenants Rights Coalition, 19 March 1990.

334. F.G. Pennance, S.W. Hamilton and D. Baxter, Housing: It's Your Move Vol.I (Vancouver: the University of British Columbia, 1976), p. 71.

- c) buildings which contained 2 units, one occupied by the landlord; and
- d) any classes or premises that may be designated by regulation.[335]

Later in 1974, the Landlord and Tenant Amendment Act exempted new rental accommodation constructed since 1 January 1974, for five years.[336] The five year time limit was subsequently lifted in 1977.[337] Under d) several categories were added over time including:

- summer cottages, winter chalets, or other recreational premises;
- premises owned and operated by non-profit societies;
- premises owned or operated by educational institutions;
- mobile home pads that rented for more than a prescribed amount; and
- units in which a landlord has lived for 24 consecutive months.[338]

This last provision was subsequently changed in 1980 to include units in which the landlord had lived for twelve consecutive months (beginning July 1, 1980) or twenty-four consecutive months (January 1, 1972-June 30, 1980).[339]

The exclusion of luxury units, those renting for more than a prescribed amount, is a measure intended to help bring about gradual decontrol.[340] In the case of British Columbia, the luxury category expanded as the number of units renting below \$500 decreased as a result of inflation. The \$500 limit was reduced 1 April 1978 to \$400 and remained at this level throughout the duration of rent controls. This effect was especially pronounced in the city of Vancouver where rents, on average, are higher than throughout the rest of the province.

335. Landlord and Tenant Act, S.B.C.1974, c.45, s.28(1).

336. Landlord and Tenant Amendment Act S.B.C.1974, c.109, s.29G(2).

337. Residential Tenancy Act S.B.C.1977, c.61, s.65(8)(h).

338. Residential Tenancy Act S.B.C.1977, c.61, s.65(8).

339. Residential Tenancy Amendment Act, 1980 S.B.C.1980, c.48, amd.44(g)(iii).

340. Stanbury and Vertinsky, Rent Regulation: Design Characteristics and Effects, p. 2-11.

In addition to serving as a tool for decontrol, restricting rent control to below a prescribed amount demonstrated the government's intent was not to protect all renters, only those on low to middle incomes.

In 1977, another significant change was the exclusion of units by the number of bedrooms that rented for more than a prescribed amount. Units that rented for more than the following amounts were excluded:

- bachelor/one bedroom for \$300;
- two bedrooms for \$350; and
- three or more bedrooms for \$400.[341]

C) The Cost Pass-Through System

Landlords who attempted to extract more than the maximum allowable rent increase were guilty of an offence.[342] However, landlords could apply to the Commission for larger increases under the following circumstances:

- if the mortgage had been re-financed at a higher rate;
- if the landlord had experienced unusually high operating costs;
- if his rents were low compared to similar units; and
- by making "eligible expenditures." [343]

In the latter case, landlords could file for an increase for "the sum of all expenditures for improvements, replacements and repairs".[344] If the landlord made renovations after 3 May 1974 he was allowed to add on an increase of 12% of the total cost to the

341. B.C. Regulation 485/78.

342. Landlord and Tenant Act, S.B.C. 1974, c.45, s.58.

343. I am not certain whether this list applied throughout the whole period. Adams et al., Government Intervention in Housing Markets: an Overview, p. 19 records this list as being effective from 1980 - 1983. However, under the 1974 Landlord and Tenant Act, when the Commission could enter into 5 year contracts with landlords, a similar list of conditions applied (but did not specify refinancing at a higher rate. Klippert, Residential Tenancies in B.C., p. 179.

344. B.C. Regulation 26/81.

maximum allowable rent increase. Landlords were required to demonstrate that improvements cost 25% more than their total rental income charged in the year preceding the renovation.[345] In other words, any improvements that totalled less than 25% were considered "normal". Consequently, this provision encouraged landlords to either: a) make no improvements; or b) encourage them to make as many improvements as possible that totalled more than 25% of the landlord's annual rental income.

The maximum ceiling for renovation increases changed throughout the period. It was set at 12% in 1974, then increased to 18% effective 16 May 1980, and was later reduced to 15% on 18 March 1983.[346]

D) Hidden Rent Increases

If a landlord discontinued a service that substantially reduced the tenant's enjoyment of his premises, or if a charge was imposed on a service that was previously free, such measures were regarded as hidden rent increases. If such increases, together with the rent charged exceeded the maximum allowable rent increase then the landlord was guilty of an offence. Tenants were then allowed to deduct such charges from future rent payments or else they could pursue civil action.[347]

345. Landlord and Tenant Amendment Act, 1974, S.B.C.1974, c.109, s.28(1); and B.C. Regulation 791/74.

346. B.C. Regulation 185/80; and B.C. Regulation 125/83.

347. Landlord and Tenant Amendment Act, 1974 No.2, S.B.C. 1974, c.109, s.29C(1).

E) Rent Registry

A computerized rent registry was established in 1975 which required landlords to report information including rent increases and details of units.[348] This was intended to provide information to tenants so that they would be aware of whether or not more than one rent increase had occurred, and whether or not proposed increases fit within the allowable limit. Landlords were no longer obligated to file notices of rent increases as of 1 July 1984.[349]

Rent increases were allowed once every 12 months regardless of whether there was a change in landlords or tenants.[350] This changed beginning 1 July 1984. From that time on, when a unit became vacant the landlord was allowed to charge a rent increase, even if it meant more than one increase in the year.[351]

F) Administration of Rent Control

Prior to the 1974 Landlord and Tenant Act, only the courts had the jurisdiction to make binding decisions in landlord-tenant matters. This jurisdiction was drastically curtailed with the introduction of the 1974 Act.[352]

348. Adams et al., Government Intervention in Housing Markets: an Overview, p. 18. The first reference in the legislation that I could find was in the Residential Tenancy Act S.B.C.1977, c.61, s.65(3)(c).

349. Note: The provision concerning the rent registry (Residential Tenancy Act R.S.B.C.1979, c.365, s.64(3)(c) was in effect until 1 July 1984 when it was repealed. The study, Government Intervention in Housing Markets: an Overview Eric Adams et al, (Commission of Inquiry into Residential Tenancies, 1986) p. 18, appears to be incorrect. It states that notices of rent increases were no longer required effective 7 July 1983.

350. Landlord and Tenant Act S.B.C.1974, c.45, s.25.

351. Adams et al., Government Intervention in Housing Markets: an Overview, p. 20 states this provision ended 6 July 1983 with the end of rent control. However, this appears erroneous since the statute provision was not repealed until 1 July 1984.

352. Klippert, Residential Tenancies in B.C., p. 5.

Initially, responsibility for administering rent controls lay with the Rentalsman. By November 1974 this changed with the creation of the Rent Review Commission. It was felt that the Rentalsman could not maintain his role as an impartial decision-maker in landlord-tenant disputes if he also recommended the maximum rent ceilings. The two offices were once again unified in 1978 under the office of the Rentalsman likely due to the overlap of several responsibilities.[353]

The Rent Review Commission consisted of government employees. This practice is generally regarded as being more impartial, as opposed to having the administrators consist of representatives of different interest groups.[354]

The responsibilities of the Commission (and later the Rentalsman) included the following:

- administering the portion of the Landlord and Tenant Act and later the Residential Tenancy Act that dealt with rent control;
- conducting research on rent control;
- considering applications for rent increases larger than the prescribed amount;
- considering applications for renovation rent increases;
- educating landlords and tenants with respect to rent control; and
- from 1977 onward, initiating action for any contravention of the rent control regulation.[355]

Rent review was repealed 30 June and the Rentalsman was eliminated later that year on 30 September 1984. The jurisdiction of rent disputes was transferred back to the courts

353. This was one of the recommendations in the 1975 Jaffary Report. See Klippert, Residential Tenancies in B.C., p. 161.

354. Stanbury and Vertinsky, Rent Regulation: Design Characteristics and Effects p. 2-26.

355. See Landlord and Tenant Amendment Act, 1974 (No.2), S.B.C.1974, c.109, s.25(a); and Residential Tenancy Act, S.B.C.1977, c.61, s.62(e) and s.63(2).

while a new Residential Tenancy Branch was formed to deal with all other landlord-tenant matters.[356]

4.3 Summary

This historical review has clearly shown rent regulation to be a very dynamic program: its nature, scope, and effectiveness varied greatly with the government of the day. It began as a hastily implemented measure in 1974 and was intended to be only temporary. But after only a few months, the legislators redesigned the system. Rent control began to be viewed as a longer term requirement which necessitated the creation of a regulatory agency as well as extensive guidelines. In 1977, soon after the Social Credit Party was elected, decontrols were introduced which spelled "the beginning of the end" of controls. The government's decontrol strategy was to combine increasingly liberal rent-level decontrol with rent arbitration in order to ease the transition to uncontrolled rents. Andrew Muller, an economist at McMaster University, has observed that rent arbitration schemes have been commonly used in Canada as replacements for rent control because they render decontrol "politically more attractive." [357] After 1977 the effectiveness and stringency of rent control steadily diminished until it was formally terminated in the 1983 budget.

Aside from the 1974 limit to rent increases under the Interim Act, British Columbia maintained a "moderate" rent control system. To this extent, three characteristics of the control system were of particular importance:

356. Adams et al., Government Intervention in Housing Markets, p. 18.

357. R. Andrew Muller, "Ontario's Options in the Light of the Canadian Experience with Decontrol," in Policy Forum on Rent Controls in Ontario, eds. Richard Arnott and Jack Mintz (Kingston: John Deutsch Institute, 1987), p. 32.

- the allowable rent increases were based on the concept of "fair rent" and guaranteed landlords a return based on current market values;
- the cost pass-through provision enabled landlords, who met the criteria, to obtain a higher rent increase for maintenance and repairs; and
- new rental units were exempt from control.

This chapter has outlined the specific rent control systems that existed in British Columbia. The next examines the combined impact these systems had on the city of Vancouver.

CHAPTER 5

THE CITY OF VANCOUVER: AN ASSESSMENT OF THE PRESUMED DISADVANTAGES OF RENT CONTROL

This chapter assesses the theoretical assertions and predictions made by rent control opponents about the impact of rent control by comparing them with the practical experience of Vancouver. The chapter is divided into three parts:

part one describes the general socio-economic context during the periods when rent controls were in place (1974 to 1982) and when rent controls were eliminated (1983 to 1989);

part two assesses each of the six major theoretical predictions to determine their accuracy; and

part three provides a conclusion and recommendations for future research.

Rent control opponents include neo-classical economists and provincial politicians (primarily from the Social Credit Party) whose views about rent control were outlined in chapters two and three. To briefly summarize, neo-classical economists claim rent control, *ceteris paribus*, will have these consequences:

- 1) new rental construction will be reduced;
- 2) landlords will reduce maintenance to offset losses of rental income;
- 3) rent controls will lead to demolition of the rental stock;
- 4) landlords will convert rental units to ownership tenure;

- 5) price ceilings below the market-clearing price cause excess demand; and
- 6) the market value of rental buildings will be reduced thereby reducing the government's tax base.

Provincial politicians who opposed rent control based their arguments primarily on the first four of these predictions. All of these predictions together form the basis of the opposition to rent control and are discussed in part two of this chapter.

The analysis in parts one and two of this chapter focuses on the following categories of socio-economic indicators: a) economic; b) social; and c) rental market. The analysis includes looking at the trends that have occurred in the indicators during (1974-1982) and after (1983-1989) rent control. These trends are analysed in order to identify relationships between them and the regulatory framework. For purposes of organizational clarity, the detailed statistical tables are grouped together in Appendix A.

5.1 The Socio-economic Context During and After Rent Control: 1974 to 1989

To understand the impact that rent control and decontrol had on Vancouver's rental market one must first understand the context in which the policies were introduced. British Columbia's rent control system was introduced in response to the 1974 housing shortage. As socio-economic conditions changed within the province (including Vancouver) so too did government policy on rent control.

This section is divided into two parts. The first describes the general context within which rent control was implemented from 1974 to 1982. The second part focuses on the rent decontrol period from 1983 to 1989. Each sub-section is further divided into discussions of socio-economic conditions and the condition of Vancouver's rental sector. /

A) The Rent Control Period: 1974 to 1982

i) Socio-economic Conditions

1974 to 1975: At the time rent control was introduced, British Columbia and the rest of the country were in the throes of a recession. The recession occurred in response to sharp increases in world oil prices and lasted from 1974 to 1975.[358]

A recession is marked by a decline in Gross Domestic Product (GDP). The annual growth rate of British Columbia's GDP dropped sharply from 10.9% in 1973 to 2.3% in 1974 and then plunged to -1.2% in 1975 (See Figure 2 and Table A-1). The national GDP growth rate also dropped from 7.7% in 1973 to 4.4% in 1974 and then to 2.6% in 1975. Compared to the national growth rate, British Columbia was particularly hard hit by the recession.

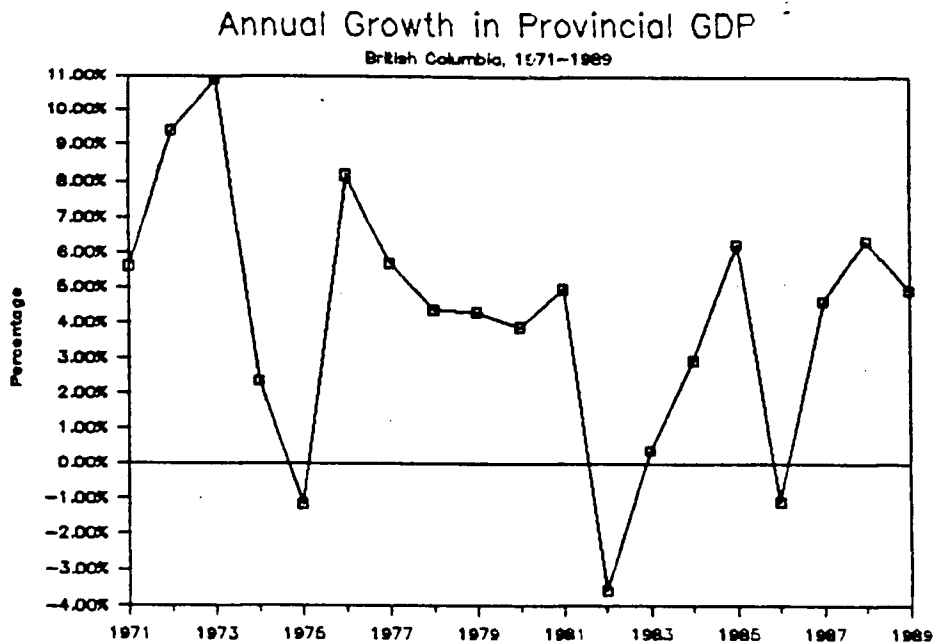


Figure 2 Source: See Table A-1

358. Financial and Economic Review 43rd Edition, (Victoria, Ministry of Finance and Corporate Relations, October 1983), p. 10.

Another indication of a recession is the unemployment rate. In British Columbia, the unemployment rate increased 2.3% from 1974 to 1975 (See Figure 3 and Table A-2). This is a significant change given that the unemployment rate decreased .5% in 1974 and 1.1% in 1973. Metro Vancouver also experienced a similar unemployment trend: the rate increased 1.8% from 1974 to 1975 after decreasing 1.1% in 1974 and 1.6% in 1973. The trend is the same for the national unemployment rate: it increased 1.6% from 1974 to 1975 after decreasing .2% in 1974 and .7% in 1973.



Figure 3 Source: See Table A-2

High world oil prices played a major role in the higher rate of inflation to climb.[359] The national annual rate of inflation, as measured by the Consumer Price Index (CPI), was 10.9% in 1974 (See Figure 4 and Table A-3). Metro Vancouver's inflation rate was 11.6% in the same period.[360]

The impact of the recession is evident in the number of migrants who moved into and out of British Columbia. Historically, B.C. has experienced high rates of inter-provincial migration. This changed during the recession. During 1975, British Columbia experienced a net loss of more than 2,000 people and in 1976 another net loss of 1,500 (See Figure 5 and Table A-6). This is a dramatic change from 1970 to 1974 when net gains of 22,000 occurred each year.

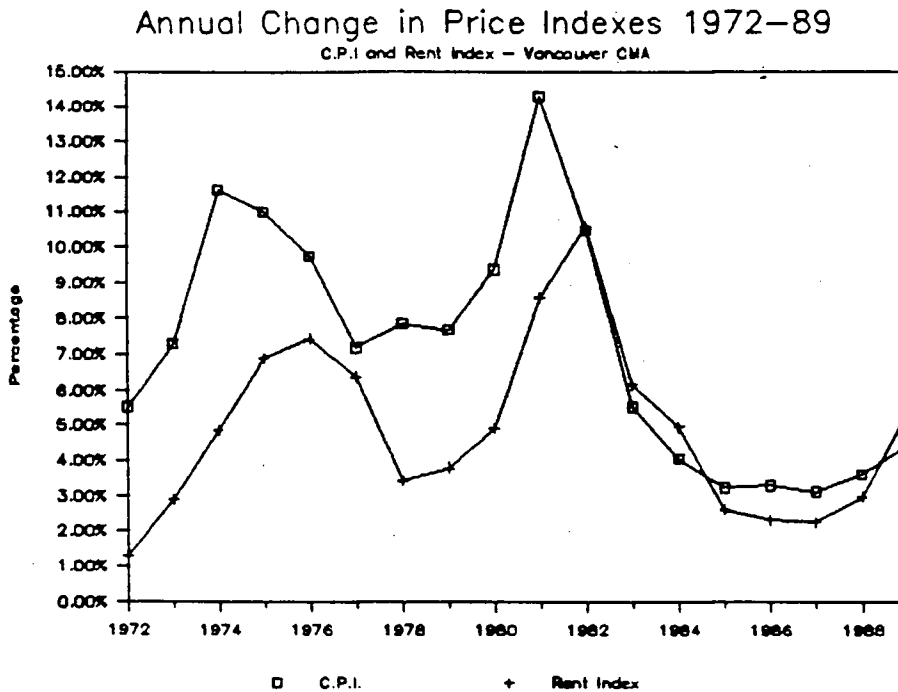


Figure 4 Source: See Tables A-3 and A-4

359. Ibid., p. 2.

360. Note: Data on provincial Consumer Price Indexes is available only since 1985. Although Statistics Canada began to compile provincial CPI's in 1978, they were not published until July-September 1988. At that time, only data since 1985 was published.

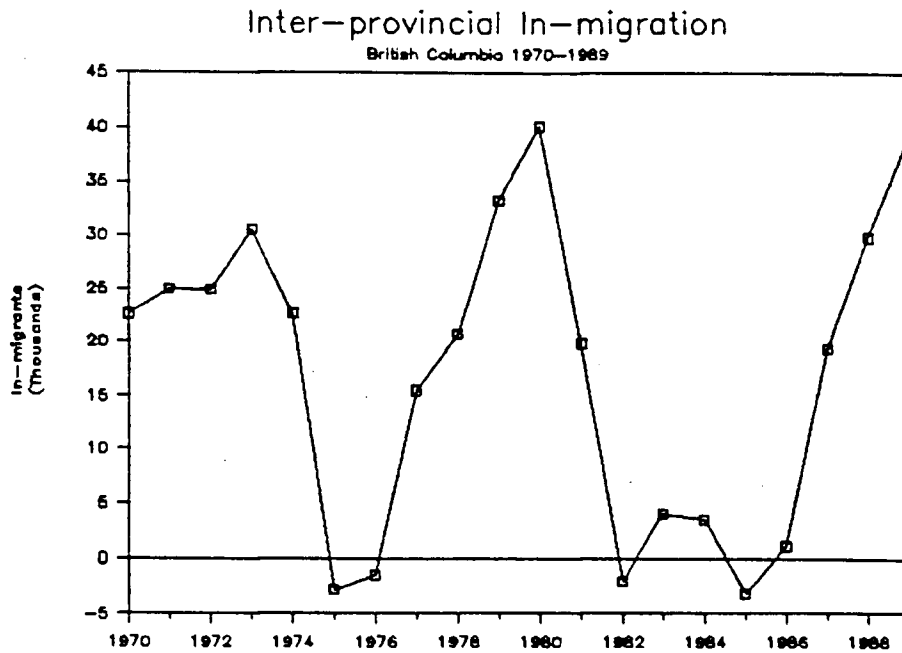


Figure 5 Source: See Table A-6

1976 to Mid-1981: British Columbia's economy improved markedly after the recession and experienced strong growth throughout the period from 1976 to 1981. The annual growth rate of the provincial GDP fluctuated between 3.9% and 8.2% (See Figure 2 and Table A-1). Similarly, in the same period, the national GDP growth rate was between 1.5% and 6.2%.

The unemployment rate in the post-recession period also reflected the stronger economy. From 1976 to 1981, British Columbia's unemployment rate steadily decreased each year from a high of 8.6% in 1976 to a low of 6.7% in 1981 (See Figure 3 and Table A-2). The same unemployment trend is evident in Metro Vancouver: from a high of 8.2% in 1976, it decreased annually to a low of 4.9% in 1981. In general, the unemployment rate in Vancouver is lower than the provincial rate because the local economy is more diversified than that of the province.

Inflation during this period remained relatively high. In Metro Vancouver, annual changes to the CPI decreased from the 1975 rate of 11% to annual increases of approximately 8% from 1976 to 1980 (See Figure 4 and Table A-3). The national inflation rates exhibited a comparable trend to that of Metro Vancouver's.

The much-improved provincial economy in the latter part of the 1970's meant that once again people started moving in droves from other provinces to British Columbia. Beginning in 1977, B.C. experienced a net gain of over 15,000 inter-provincial migrants (See Figure 5 and Table A-6). The number of migrants increased each year until 1980 when there was a net gain of 40,000 people from other provinces. In 1981, net migration fell to 20,000.

Mid-1981 to 1982: The rosy economic outlook changed drastically mid-way through 1981 when the province entered another recession. This recession was much worse than that of 1974-75--it was the worst one Canada had experienced since the Great Depression in the 1930's and within Canada, British Columbia was the province hardest hit.[361]

The annual growth rate of the provincial GDP plunged from 5% in 1981 to -3.6% in 1982 (See Figure 2 and Table A-1). The national growth rate was little better. From an annual rate of 3.7% in 1981 it fell to -3.2% in 1982.

Unemployment in the province almost doubled from 6.7% in 1981 to 12.1% in 1982 (See Figure 3 and Table A-2). Metro Vancouver was also hit hard. In 1981, the metro unemployment rate was the lowest it's been since 1970 at 4.9%. Then it shot up to 9.8% in 1982. The national unemployment rate also increased significantly from 7.5% in 1981 to 11.0% in 1982.

361. Financial and Economic Review (43rd Edition) (Victoria: Ministry of Finance and Corporate Relations, October 1983), p. 2.

Inflation was at its very worst. In 1981, the CPI for Metro Vancouver was 14.3% while the national rate was 12.4% (See Figure 4 and Table A-3). Inflation improved somewhat in 1982 as Metro Vancouver experienced a 10.5% rate in the CPI and the country overall experienced a 10.8% rate.

With the drastic downturn in the economy in the early 1980's people started moving away from B.C like they had during the 1974-75 recession. In 1982, British Columbia experienced a net out-migration to other provinces of 2,000 people (See Figure 5 and Table A-6).

ii) The Vancouver Rental Market

Activity within Vancouver's rental market as indicated by residential investment, interest rates, multiple dwelling starts, and the vacancy rate is affected by the economic climate of the day. For example, during the 1974-75 and 1981-82 recessions there was a downturn in rental market activity. Likewise, during the period of economic growth from 1976 to 1980 rental market activity increased.

The rental sector is also affected by government housing programs which means that the level of rental activity does not always reflect the economic conditions of the day. For example, the amount of rental completions from 1977-1978 would have been much lower had it not been for the federal government's Assisted Rental Program and the Multiple Unit Residential Building (MURB) tax incentive.[362]

1974 to 1975: Activity in the housing market is a general indicator of rental market activity. One important indicator of activity generally is the annual amount of residential investment. During the 1974-75 recession, the amount of residential investment in British

362. Marvin Kamenz, "Economic and Social Impacts of Subsidized Rental Starts in the Greater Vancouver Area, 1975-1985," (M.A. thesis, University of British Columbia, 1989), p. 74.

Columbia declined considerably. Between 1973 and 1974 residential investment grew only 1.3% and between 1974 and 1975 it declined by 3.8% (See Figure 6 and Table A-8). The significance of these rates is readily apparent when they are compared to the 1971-72 annual increase of 14.8% and the 1972-73 increase of 11.4%.

Interest rates are a key factor in whether or not rental accommodation is built. High, unstable rates are clearly a disincentive to investment. The 1974-75 recession produced high rates of inflation and it also caused high rates of interest. Between 1973 and 1974 the five year interest rate rose 1.6%, from the 1973 rate of 9.6% to 11.2% in 1974 (See Figure 7 and Table A-9). The interest rate stayed between 11% and 12% throughout 1975 and 1976.

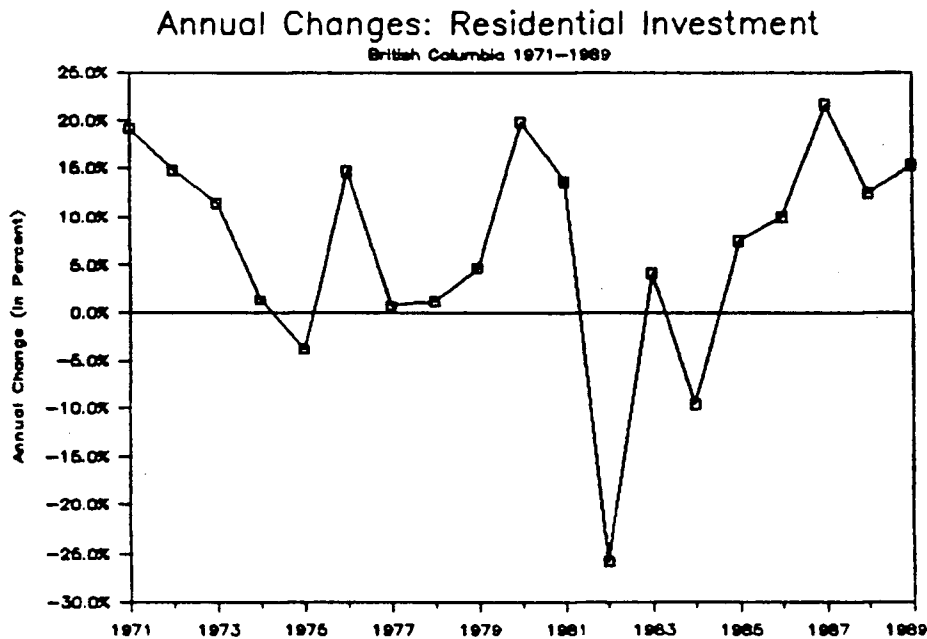


Figure 6 Source: See Table A-8

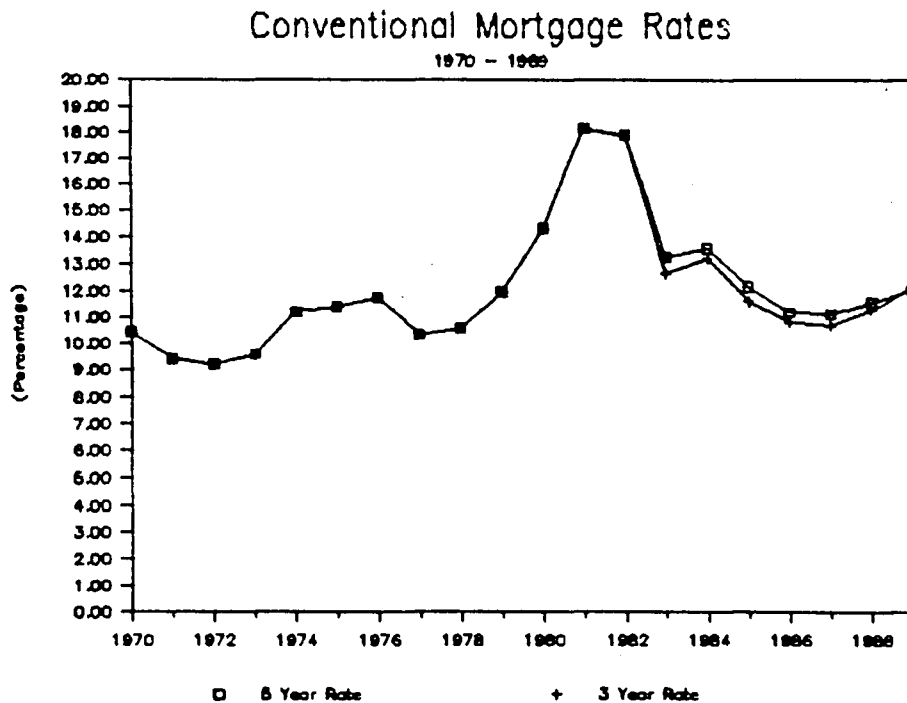


Figure 7 Source: See Table A-9

The number of annual completions of multiple dwellings is presented as another indicator of the impact rent control had on the rental market. For analytic purposes the number of multiple dwellings is broken down into three categories: a) private rental units, b) condominiums, and c) non-market units (which includes both social rental housing and co-ops). It should be noted that there is a time lag of approximately one year in the number of housing completions because this is the normal length of time required to construct most multiple unit buildings.[363] For example, the number of completions in 1976 reflects the level of housing starts in 1975.

363. Telephone interview with Helmut Pastrick, housing analyst, CMHC (Regional office), 21 March 1990.

The number of multiple dwellings constructed are available starting in 1975. Prior to this, the Canada Mortgage and Housing Corporation did not disaggregate the numbers according to tenure.

The number of private rental completions in 1975 clearly shows the effect of the 1974-1975 recession. There were only 261 private rental units completed which is the third lowest level during the 1975 to 1989 period which saw an average of 671 private rental completions per year (See Figure 8 and Table A-13).

At the same time, however, the levels of condominium and non-market completions were unusually high. In 1975, there were 1,390 condominiums and 1,305 non-market completions. The average number of completions for these forms of tenure during the 1975 to 1989 period was 685 (condominiums) and 526 (non-market).

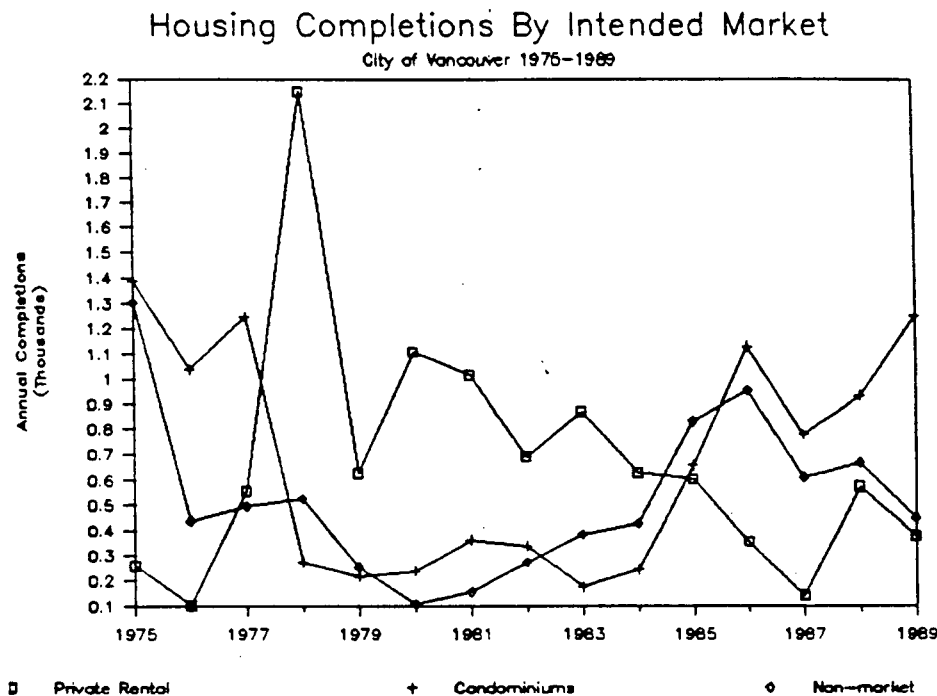


Figure 8 Source: See Table A-13

The unusually high level of condominium completions is attributed to the federal Assisted Home Ownership Program (AHOP) which was in effect from 1973 to 1978. This program provided a five year mortgage subsidy plan to low income first-time homeowners. The maximum allowable price for homes was relatively low which meant that much of the housing purchased under this program was condominiums.[364]

The provincial New Democratic government was very active in subsidizing public housing during the 1974-75 period which accounts for the high level of non-market completions. An indication of the government's involvement is reflected in the activity of the British Columbia Housing Management Commission (BCHMC), a crown corporation created to manage public housing. In 1975, the BCHMC increased its portfolio by 63%. The Commission managed 6,845 units at the end of 1975 compared to 4,200 the previous year. Apart from the BCHMC, the government also assisted in establishing numerous co-operatives and rental projects with nonprofit organizations.[365]

The vacancy rate is an important indicator of the health of rental market. It measures the ability of the market to effectively respond to consumer demand. Low rates indicate tight market conditions and that the market is under-supplied. It is equally important to note what the vacancy rate does not do--it does not measure the cost or quality of rental housing. Historically, Vancouver's vacancy rate has been very low (See Figure 9 and Table A-11). It is difficult, however, to determine what constitutes an "optimal" vacancy rate. The literature

364. Eric Adams et al, Government Intervention in Housing Markets: an Overview (Toronto: Research Study No.29 prepared for the Ontario Commission of Inquiry into Residential Tenancies, 1986), p. 190.

365. Second Annual Report (1975), (Victoria: British Columbia Department of Housing), p. 9. Note: the numbers of co-operatives and nonprofit rental projects are unavailable. The large amount of public housing was provided through a Federal-Provincial partnership. The capital cost of building public housing was divided by the federal (75%) and the provincial (25%) governments.

is somewhat divided on this matter: rates as high as 5% to as low as 2% have been suggested.

In no case is a theoretical basis provided for arriving at that rate.[366]

In spite of the downturn in the economy and an out-migration of residents to other provinces, the vacancy rate was extremely low during the 1974-75 recession. This is somewhat surprising since one would expect the vacancy rate to rise in a poor economic climate. The vacancy rate decreased from 0.6% in 1973 to 0.2% in 1974. It fell further to

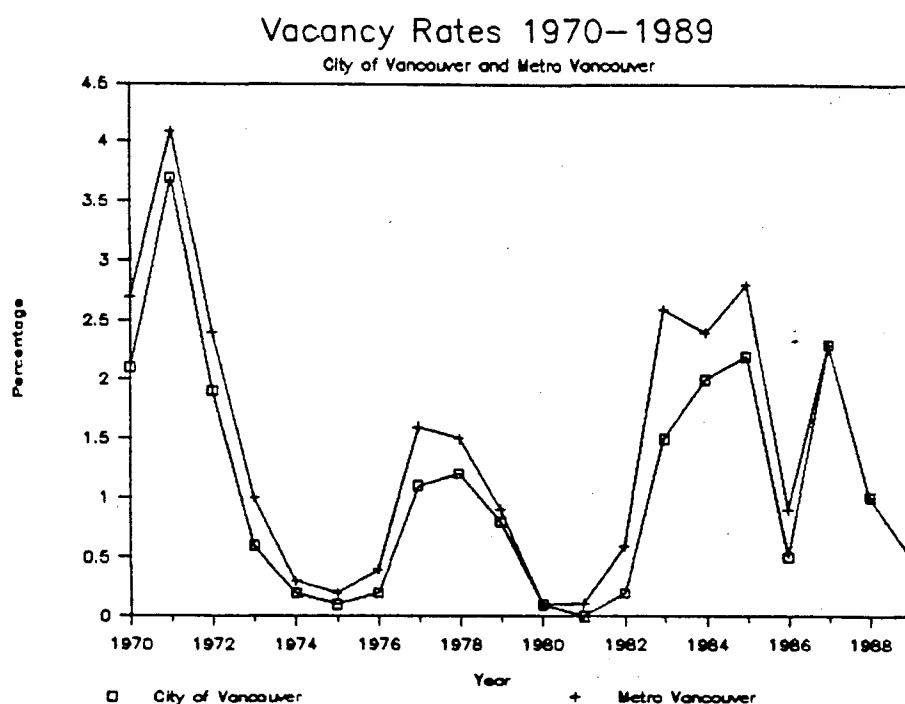


Figure 9 Source: See Table A-11

366. Geraldine Boyle, Background Paper No.3 for the Interdepartmental Study Team on Housing and Rents, Aug 1975, cites the following 4 references on page 2: Anthony Jackson, On the Theory of Housing Supply, (Nova Scotia Technical College: Unpublished) p.2 and Less Rent More Control (Urban Planning Aid: Massl, 1973), p.29 suggest 5%. Poverty In Canada, A Report of the Special Senate Committee uses the figure 4% on p.136. L.B. Smith, The Post-War Canadian Housing and Residential Mortgage Markets and the Role of Government (University of Toronto Press: Toronto, 1974), p.19 uses 3%. William N. Kinnard, Jr., Apartment Property Valuation, (Real Estate Appraisal Institute, Chicago, 1973), suggest 2% to 3%. The City of Vancouver use the rate of 3%.(Housing Symposium, May 8, 1989, p.3). Canada Mortgage and Housing Corporation consider a vacancy level between 2% and 3% as optimal. (Rental Market Survey Report, Vancouver CMA, October 1989, p.6).

1976 to Mid-1981 With the economy improving from 1976 to 1981, the housing sector also improved. The amount of provincial residential investment fluctuated considerably during this period: annual rates of change varied from a low of .7% to a high of 20% (See Figure 6 and Table A-8).

Interest rates remained high. After the recession, the five year interest rate increased to 11.8% in 1976 and then tapered off slightly in 1977 and 1978 (See Figure 7 and Table A-9). In 1979, however, it began to skyrocket and reached 14.3% in 1980 and the all-time high of 18.2% in 1981.

The level of private rental completions jumped considerably from 1976 to 1981. During this six year period, the three highest levels of private rental completions were recorded for the 1975-1989 period (See Figure 8 and Table A-13). In 1976, the number of completions was only 104 which reflects the 1974-75 recession. From this all-time low, the number of private rental completions increased to the all-time high of 2,149 in 1978 and to 626 in 1979, 1,107 in 1980, and 1,017 in 1981.

The large number of private rental completions in 1978 and 1979 is mainly due to the federal government's Assisted Rental Program (ARP). This program was in effect in British Columbia from 1976 to 1978 and was intended to provide subsidies to developers of new market rental housing. In general, the program provided developers with a 5 to 15 year stream of decreasing annual subsidies.[367]

367. Marvin Kamenz, "Economic and Social Impacts of Subsidized Rental Starts in the Greater Vancouver Area, 1975-1985," (M.A. thesis, University of British Columbia, 1989), p. 25.

The total number of rental unit starts in Vancouver financed with the assistance of ARP funds was 603 in 1976, 1,882 in 1977, and 123 in 1978.[368] In the three year period, there was a total of 2,608 ARP funded units in Vancouver.

For purposes of analysis, this study does not include the number of rental units constructed under the Multiple Unit Residential Building program (MURB). This was another federal housing program (1974-1981) whose purpose was to encourage investment in the rental sector by providing tax incentives to investors who were not development corporations. The program enabled investors to shelter income, regardless of its source, under the capital cost allowance tax deduction.[369]

Totals for the number of MURB funded units are not presented in order to prevent a double accounting error. Most of the ARP units were located in authorized MURB buildings. Consequently, it is not possible to determine the impact of these two programs separately.[370]

It is important to note that even though ARP and MURB funded units were built for the rental market, most were registered as strata units at the time of construction. The number of units involved is not known because Canada Mortgage and Housing Corporation records housing completions according to the intended use, not by legal tenure. By registering the units as strata title, owners have the option of selling the units without municipal approval. Consequently, these units do not constitute a secure rental stock.[371]

368. Ibid., p. 39.

369. Ibid., p. 24.

370. Ibid.

371. Interview with Ted Mitchell, housing economist, CMHC (Regional office), 10 April 1990.

During the 1976 to 1981 period, the number of private rental completions clearly surpassed the number of condominium completions. During this six year period, the number of private rental completions averaged 927 per year compared to the number of condominium completions which averaged 563 per year.

The number of condominium completions was very high in 1976 (1,037) and in 1977 (1,248). These high numbers are again attributed to the federal Assisted Home Ownership Program (1973-1978). From 1978 to 1981 there was an average of only 274 condominium completions per year.

The number of non-market completions fell from the 1975 high of 1,305 to an average of 330 completions per year from 1976 to 1981. In particular, 1980 and 1981 were the worst years for non-market housing as only 108 and 156 units respectively, were completed.

In spite of the addition of ARP-assisted units to the rental supply, the vacancy rate remained extremely low. In the 1976 to 1981 period, the rate fluctuated between a high of 1.2% in 1978 and the all-time low of 0.0% in 1981 (See Figure 9 and Table A-11).

Mid-1981 to 1982 The 1981-82 recession was devastating for the construction industry in British Columbia. The level of residential investment in the province fell from 1981 to 1982 by 25.8%--the worst annual change since 1970 (See Figure 6 and Table A-8).

At the same time, the five year interest rate for 1982 remained very high at 17.9%. The number of private rental completions fell by 32% from 1,017 in 1981 to 690 in 1982 (See Figure 8 and Table A-13). Condominium completions also decreased by 7% from 363 in 1981 to 339 in 1982. The only area where multiple housing grew was in non-market housing where the number of completions increased 75% from 156 in 1981 to 273 in 1982. The vacancy rate increased slightly to reach 0.2% in 1982.

B) After Rent Controls: 1983 to 1989

i) Socio-economic Conditions

When rent control ended in 1983 the provincial economy was struggling to recover from the 1981-82 world recession. Poor economic conditions are the primary reason why the Social Credit government chose to end rent control in 1983. In the words of the Minister of Consumer and Corporate Affairs, James Hewitt:

We have at this particular point in time...a window in time, because the economic downturn in this province has provided us with an opportunity to move from that detrimental policy of rent controls.[372]

The provincial GDP growth rate was still very low in 1983 but had improved slightly from -3.6% in 1982 to 0.4% in 1983 (See Figure 2 and Table A-1). The period from 1984 to 1989 saw steady economic growth with the exception of 1986. That year, the province experienced another economic downturn when the GDP decreased 1.1%.

The provincial unemployment rate continued to worsen after 1982. From the then all-time high of 12.1% in 1982, unemployment continued to climb to 13.8% in 1983 and to 14.7% in 1984, the highest provincial rate since 1970 (See Figure 3 and Table A-2). After 1984, unemployment gradually decreased until 1989 when it reached 9.1%. The unemployment rate in Metro Vancouver in the period followed the same trend: it increased to 12.2% in 1983, and then to the all-time high of 13.6% in 1984. The unemployment rate steadily improved thereafter to 7.6% in 1989. The national unemployment rate followed a similar trend except it peaked in 1983 at 11.9% and then fell steadily to 7.5% in 1989.

Changes in the number of employed persons is another indicator of the economy's performance and closely parallels the unemployment rate. In Metro Vancouver, the number

372. James Hewitt speaking on the proposed 1983 Residential Tenancy Act. Debates of the British Columbia Legislative Assembly, 12 July 1983, p. 248.

of employed persons fell by 14,000 between 1982 and 1983 (Table A-5). The number fell again between 1983 and 1984 by 3,000. Since 1984, the number of employed persons in Metro Vancouver has increased each year. Particularly noticeable is the huge increase of 48,000 between 1985 and 1986 which is largely due to Expo. The provincial statistics for employed persons closely follow those of Vancouver's.

The inflation rate in the 1980's (excluding 1981-82) was considerably lower than it was in the 1970's (See Figure 4 and Table A-3). After the relatively high increase of 10.5% in 1982, increases in Metro Vancouver's CPI were moderate, ranging from 5.5% to 3.0% (1983-1989).

A gradual improvement in economic conditions meant that once again more people were moving to British Columbia from other provinces. The inter-provincial in-migration rate increased from a net loss of 2,000 persons in 1982 to a net increase of 4,000 in 1983 (See Figure 5 and Table A-6). However, the amount of in-migration remained low until 1986. In fact, during 1985, the province once again witnessed a net loss of some 3,200 persons. Migration levels returned to their traditionally high levels in 1987 (19,400 persons), in 1988 (29,900 persons), and in 1989 (39,000) .

ii) The Vancouver Rental Market

Because of poor economic conditions, Vancouver's rental market was weak at the time rent control ended. The rental market was not in ideal shape to recover from the adverse effects, if any, of rent control. Poor rental market conditions are indicated by the amount of residential investment which fell off considerably during the 1981-82 recession. From the worst annual drop in investment of 25% between 1981 and 1982, the level of investment improved slightly by 4% between 1982 and 1983 (See Figure 6 and Table A-8). In 1983-84, investment decreased again by 9.5%. But since 1985 the growth rate in residential investment

has been substantial. From a 1984-85 an increase of 7.5%, the annual growth rate has been more than 10% from 1986 to 1989.

Interest rates remained a major influence on the rental market in the post-control period. Following the volatile levels of 1980 to 1982, the five year interest rate declined from 13.3% in 1983 to 11.6% in 1988 (See Figure 7 and Table A-9). In general, interest rates after 1985 were relatively stable and closely paralleled the levels in the mid-1970's (1974 to 1979).

The 1980-1981 dramatic increases in the five year interest rate is probably what caused lending institutions to provide shorter term interest rates. From the banks' perspective, shorter term mortgages are less risky during periods of volatile interest rates. Until 1981, the three year interest rate for mortgages was virtually identical to the five year rate. This changed from 1982 to 1989 when the three year rate was consistently lower than the five year rate. Banks also introduced one year mortgages in 1980. From 1980 to 1988 the one year interest rate was lower than both the three and five year rates.

The number of private rental completions grew 25% (872 units) from 1982 to 1983 (See Figure 8 and Table A-13). Then the level dropped by 26% in 1984 and continued to decrease until 1989. The exception is 1988 when the number of completions increased more than 300% to reach 573. Given the subsequent drop in 1989, the number of rental completions in 1988 appears to be somewhat of an aberration.

Although the trend in private rental completions since 1984 shows a steady decline, the opposite is true for condominium completions. They have steadily increased. In 1985, the number of condominium completions surpassed the number of rental completions for the first time since 1977. The average number of condominium completions for the 1984-1989 period was 831 per year which is well above the average of 685 for the 1975-1989 period.

In contrast, the average number of private rental units from 1984 to 1989 was 447 per year which is considerably lower than the 1975-1989 average of 671.

The level of non-market completions also surpassed the level of private rental completions in 1985 and as with condominium completions, this was the first time since 1977. Since 1984, non-market tenure has increasingly become an important component to private rental housing. From 1984 to 1989, the average number of non-market completions was 657 per year which is one-third greater than the average number of private rental completions. However, as with private rental completions, the number of non-market completions has steadily declined since 1986.

Another significant indicator of change in the level of multiple dwelling housing is the number of multiple dwelling starts. The number of multiple dwelling starts in 1983 and 1984 reflected the poor economic conditions. The number of starts in Vancouver fell 24% from 1,640 in 1982 to 1,240 in 1983 which was the lowest level in the 1975 to 1989 period (See Figure 10 and Table A-10). The number of multiple starts then rose to 1,700 in 1984 and increased steadily to reach 2,600 in 1989.

As with ARP and MURB funded units, it is important to note that since 1974 practically all rental starts have been registered as strata title (1974 is when conversion controls were implemented).[373] This means that Vancouver's newest and best rental stock is somewhat insecure given that units may shift from rental to ownership at any time.

Although the number of multiple dwelling starts was low in 1983 and 1984, they would have been much lower had it not been for another federal housing program, the Canada Rental Supply Program (CRSP). CRSP was in effect in British Columbia for these two years and was intended to help stimulate the construction of new market rental housing. The

373. Interview with Ted Mitchell, housing economist, CMHC (Regional office), 10 April 1990.

program provided 15 year interest-free loans of up to \$15,000 per rental unit constructed. In return, developers were required to provide one-third of the units in each development for the provincial rent subsidy program and a minimum of 5 percent of the units had to be accessible to the disabled.[374]

The majority of the new rental starts in Vancouver in 1983 and 1984 were partially CRSP funded. Canada Mortgage and Housing Corporation estimates that 56% of all rental starts in 1983 and 66% of all rental starts in 1984 in Metro Vancouver were partly financed in this way.[375] The actual number of rental units funded through the CRSP program in Vancouver was 544 (1983) and 483 (1984) for a total of 1,027 units.[376]

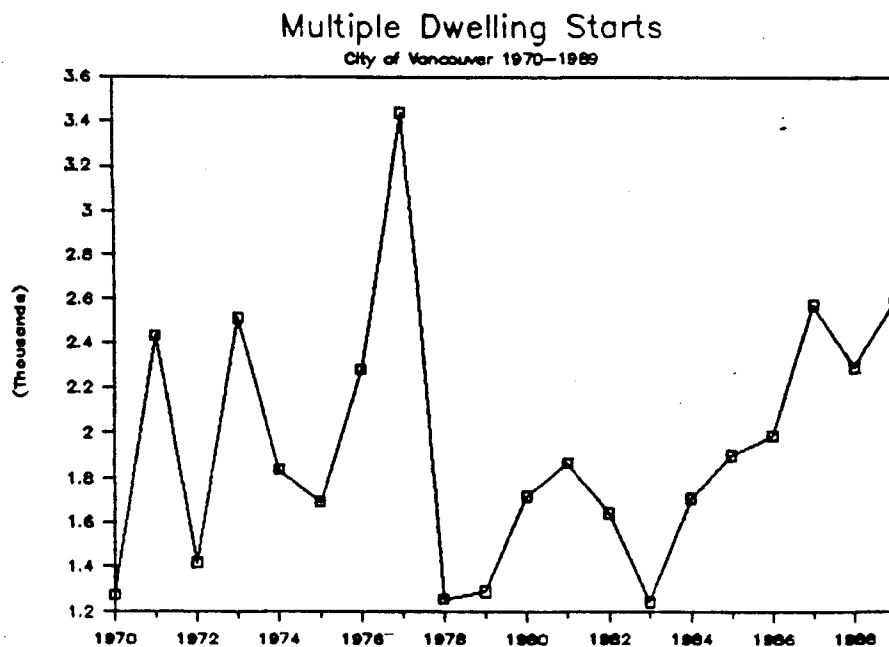


Figure 10 Source: See Table A-10

374. Kamenz, "Economic and Social Impacts," p. 25.

375. Housing Overview British Columbia and Yukon Region (1983) (Canada Mortgage and Housing Corporation: 1983), p. 3; and Housing Overview British Columbia and Yukon Region (1984) (Canada Mortgage and Housing Corporation: 1984), p. 4.

376. Kamenz, "Economic and Social Impacts," p. 40.

In 1983, the Canada Mortgage and Housing Corporation began recording statistics which disaggregate multiple dwelling starts by tenure. The trends in multiple housing starts are similar to those of multiple housing completions (See Figure 11 and Table A-12).

With respect to private rental starts, there have been fewer and fewer starts since 1983. In 1983, private rental units accounted for 60% of all multiple unit starts. By 1989, this proportion had fallen to 8.9%.

The trend in the condominium sector has been the reverse: in 1983 condominiums accounted for 7% of all multiple dwelling starts and by 1989 this figure had reached 70%.

Although the number of private rental starts is decreasing, the number of rental households is increasing (See Table A-7). In 1971, renters made up 53% of the total households in Vancouver. By 1986, this proportion increased to 58%.

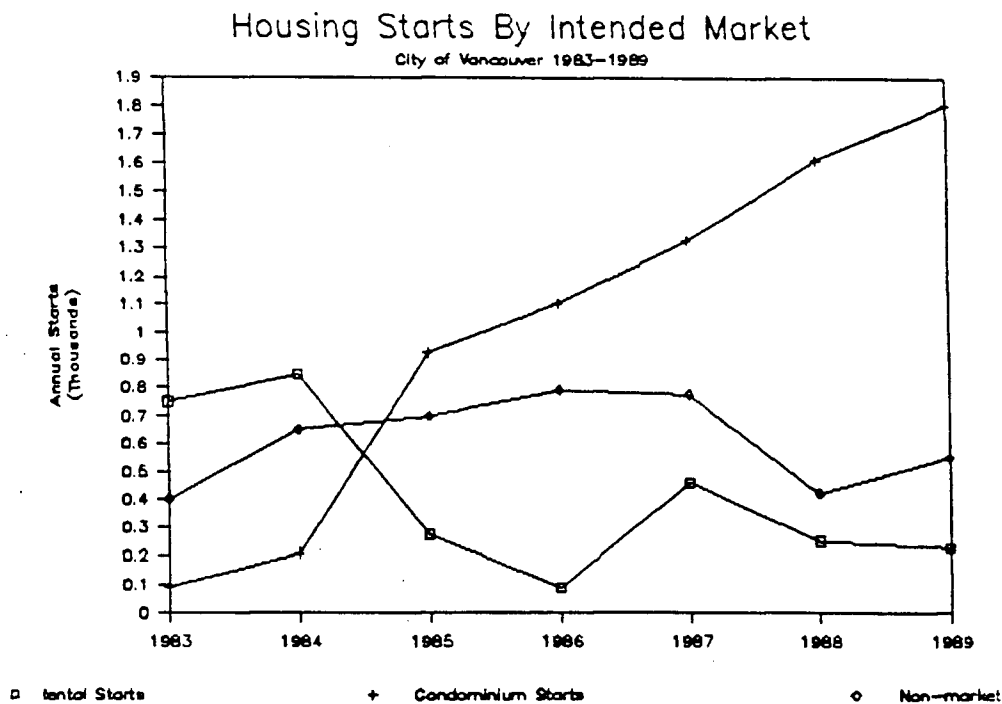


Figure 11 Source: See Table A-12

The increase in rental households and the concomitant decline in rental construction means that tenants are having to turn to alternative sources of rental housing. One source is illegal suites which constitute the second largest segment of Vancouver's rental stock.[377]

Condominiums are another alternative source of rental housing. It is estimated that between 16% and 25% of all condominiums are presently rented in Vancouver.[378] The main drawback to condominiums as a rental housing option is that there is no security of tenure in these units because they could be sold at any time. It is very likely that condominium owners are waiting until market conditions are optimal before selling them. In addition, it is likely that the rents in these units are very high since most of them are relatively new.

The level of non-market starts re-inforces the increasing importance of this component of Vancouver's rental stock. The trends in non-market and private rental starts is similar to those of non-market and private rental completions. Non-market starts averaged approximately 31% of all multiple dwelling starts from 1983 to 1989 compared to private rental starts which averaged 24% over the same period (Table A-12). From 1985 to 1989, the number of non-market rental starts surpassed the number of private sector rental starts.

Recent developments indicate that non-market housing investment is following the pattern of private rental housing. First, in 1988 the number of non-market housing starts

377. CHS Research Bulletin (Centre for Human Settlements, the University of British Columbia: April 1989).

378. Canada Mortgage and Housing Corporation (Vancouver) conducted a special 6 month survey in 1989 which shows that 16% of strata title units in Metro Vancouver at that time were rented. It is estimated that the figure for 1990 is between 20-25% because the level of completed units is higher. Figures for the city of Vancouver are estimated to be similar to those of Metro Vancouver. Telephone interview with Don Renaud, CMHC (Vancouver), 19 March 1990.

decreased by 353 units (45.4%) over the previous year and in 1989 they decreased by another 129 units (30.4%). Second, the federal Finance Minister, Michael Wilson, announced in his February 1990 budget that the national social housing expenditures will be cut by \$16 million in 1990-91 and by another \$35 million in 1991-92.[379] Non-market rental starts, therefore, will stay the same or decrease even further.

At the time rent control was eliminated, Vancouver's vacancy rate was 1.5%, the highest rate since 1972 (See Figure 9 and Table A-11). The vacancy rate further increased to 2.0% in 1984 and to 2.2% in 1985. These significant increases are the result of weak rental demand probably caused by continued high unemployment rates and very low net immigration (in 1985 there was a net out-migration). In 1986 there was a large decrease in the vacancy rate to 0.5% which is attributed to Expo and the accompanying influx of tourists and migrant workers. In 1987, the vacancy rate shot back up to 2.3% probably due to a post-Expo slump. The vacancy rate decreased to 1.0% in 1988 and to 0.5% in 1989 signalling the beginning of yet another tight rental market.

5.2 The Predicted Consequences of Rent Control

When rent control was eliminated in 1983, British Columbia was experiencing unusual economic circumstances. The six year period following the end of rent control shows a marked improvement in those circumstances. Major indicators show that we were much better off in 1989 than we were in 1983: the GDP showed steady annual growth (except for 1986), and rates of unemployment, interest, and inflation had stabilized. In addition, the growth rate of residential investment was consistently above 10% for the 1986-1989 period.

379. The Budget (Ottawa: Department of Finance Canada, 20 February 1990), p. 81.

With these much improved conditions by 1989, one would expect Vancouver's rental sector to have rebounded from any adverse effects which may have been produced by rent control. This section analyses the most common assertions and predictions made by rent control opponents in an attempt to assess their accuracy.

Neo-classical economists believe that, *ceterus parabus*, rent control automatically produces these effects:

- A) new rental construction will be reduced;
- B) landlords will reduce maintenance to offset losses of rental income;
- C) rent controls will lead to demolition of the rental stock;
- D) landlords will convert rental units to ownership tenure;
- E) price ceilings below the market-clearing price will cause excess demand; and
- F) the market value of rental buildings will be reduced thereby reducing the government's tax base.

A) New Rental Construction Will Be Reduced

Finding: The number of private rental units built in Vancouver from 1975 to 1989 shows no discernable relationship to the nature of the regulatory framework.

Opponents argue that rent control is a disincentive to the construction of new rental accommodation. Logically this should be true: other things being equal, people should invest in other economic sectors if there are price controls on rental housing. At the same time, there are many other disincentives to the construction of rental accommodation including high costs of construction (notably land prices) and a poor economic climate. The question is, did rent control adversely affect the rental market or was the market already experiencing problems due to these other factors?

To assess the impact rent control had on new construction one must first note that British Columbia's regulations governing the application of rent control to new construction were liberal. In 1974 all new construction was made exempt from controls for a period of five years. Opponents of rent control would argue that this was meaningless since the threat of eliminating this five year grace period would have still deterred investors from new construction. However, in 1977, the introduction of rent decontrol measures meant that new construction was completely eliminated from rent control so the threat, if any, was removed. Thus, effective in 1977, rent control did not apply to new rental construction. In addition, the Social Credit Party's philosophical opposition to rent controls was well known. Investors had every reason to believe the Social Credit government would not re-introduce rent control.

From the data on private rental, condominium, and non-market starts and completions, there is no discernable relationship between rent control and a decline in investment in private rental housing. In fact, these figures show that during six of the ten years of rent control, the private rental market was very active. From 1978 to 1984, the average number of private rental completions was 1,012 per year, the average number of condominium completions was 264 per year, and the average number of non-market completions was 305 per year.

The elimination of rent control in 1983 did not result in a large increase in private rental construction. The number of private rental completions has fallen steadily since 1983 and the number of private rental starts has declined since 1984.

Opponents of rent control argue that decontrolling rents will not lead to an immediate boom in the construction of rental housing. Investors have to first be convinced that rent controls will not be re-imposed and that rents will rise sufficiently to make rental investment

profitable without government support programmes.[380] No time period is specified for how long it takes investors to regain their confidence. Twelve years passed from the time new construction was decontrolled in 1977 to 1989 (1989 being the last year covered by this analysis), and six years passed from the elimination of rent control in 1983 to 1989. Given these timeframes and the philosophical beliefs of the provincial government (which is the same political party that ended rent control), one would assume investors' fears about the re-instatement of rent control to be minimal.

Logically this argument about the need to regain investor confidence can be challenged. If fears of rent control are the cause of reduced rental construction this means we will automatically have rental market failure. There will always be fears that rent control will be introduced so, according to this argument, investors will never invest in rental housing. One would expect fears about the re-introduction of rent control to diminish with the passage of time. The question is, how much time?

Opponents also argue that rents need to rise sufficiently to make rental investment profitable without government intervention. This is where the problem lies--rent levels have not been sufficiently high to attract new investment. New investment has only occurred at a significant level when the Assisted Rental Program (1976-1978) and the Canada Rental Supply Program (1983-1984) were in effect. Rents will have to increase much more before construction in private rental housing becomes profitable and before more rental units are built.

380. Rental Housing In Canada Under Rent Control and Decontrol Scenarios 1985-1991 (Prepared for the Canadian Home Builders' Association by Clayton Research Associates Ltd: Toronto, 1984) p. v.

**B) Landlords Will Reduce Maintenance
To Offset Losses Of Rental Income**

Finding: It is difficult to determine what effect, if any, rent control had on the maintenance of rental buildings.

Opponents of rent control argue that landlords will reduce expenditure on building maintenance in an attempt to offset lost rent revenue due to rent controls. The end result is a decline in the quality and value of the building.

British Columbia's rent regulations were liberal in providing a cost pass-through mechanism throughout the entire rent control period. The landlord was able to pass on to tenants the cost on an amortized basis of improvements which met certain eligibility criteria.

There are no available indicators or statistics which measure building maintenance. Consequently, this section is based on two overriding logical arguments relating to building maintenance:

- a) at an immediate level, reduced rent revenue and the nuisance of regulations might delay a landlord from making repairs; and
- b) at a broader level, it is in the landlord's best interest to protect his asset by maintaining his building at a high standard.

At an immediate level, some people, such as Jack Hayes, Director of the Rental Housing Council of British Columbia, argue that it was sensible not to maintain high building standards during the rent control period because rent revenue was reduced and because of the administrative nuisance of trying to get maintenance rent increases approved by the Rentalsman. According to Mr. Hayes, landlords today are undertaking major repairs to buildings that were not attended to during the rent control period.[381]

381. Telephone Interview with Jack Hayes 24 August 1989.

Mr. Hayes' argument seems reasonable. The nuisance of regulations would probably delay some repairs. However, one would expect the overall value of the asset to be a more important factor.

At a broader level, one would logically expect landlords to maintain high building standards because the value of the rental investment is partly determined by rents charged which, in turn, reflect the quality of the building. The exception to this would be those instances where the value of the land far exceeds that of the building and investors are considering other uses for the site (such as in the case of demolitions). Neglecting maintenance in these circumstances would appear "logical" to such owners but this logic has no relationship to the nature of the regulatory framework.

This argument is borne out by the good overall quality of Vancouver's rental stock. There is no public perception or widespread claim by tenants that buildings in the city are deteriorating beyond the normal problems of an aging stock and a number of bad landlords. The aging of the stock and bad landlords do lead to an increased level of poor maintenance but this is unrelated to the nature of the regulatory framework.

C) Rent Controls Will Lead To Demolition Of The Rental Stock

Finding: The number of rental buildings demolished in Metro Vancouver from 1976 to 1989 shows no relationship to the nature of the regulatory framework.

Opponents argue that rent control will diminish the maintenance of buildings to the point where some are demolished.[382] Consequently, one would expect a decrease in rental apartment demolitions after the rent control period.

382. Michael A. Goldberg, The Housing Problem: A Real Crisis? (Vancouver, The University of British Columbia Press, 1983) p. 67-68. He argues that in extreme cases, buildings will deteriorate to the point where they are abandoned and demolished.

For analytical purposes, the number of demolition permits for apartments in Metro Vancouver are used as an indicator of the number of rental buildings demolished in the city of Vancouver (See Table A-15). Although the statistics do not distinguish between tenure, it is assumed that most of these structures would be private rental housing not condominiums that condominiums are generally newer than the rental stock. It is further assumed that the demolition trend for the city of Vancouver follows that of the Census Metropolitan Area.

Contrary to the assertion that rent control leads to increased demolition of the rental stock, the number of demolitions in Metro Vancouver was lower during the rent control period than it was after controls were eliminated. The average annual number of apartment demolitions for the period 1983 to 1989 was 265 compared to 242 during the 1976 to 1982 period.

The level of apartment demolitions relates to factors which are broader than rent control policy. Such factors include rising land values in Vancouver, increased population pressure, and the intensification of land use. The influence of these factors is constantly changing but has become much more pronounced since 1983 given the improved economic conditions. This explains the increase in the number of demolitions during the 1983-1989 period.

D) Landlords Will Convert Rental Units To Ownership Tenure

Finding: The number of conversions of rental units to condominiums in Vancouver shows no relationship to the nature of the regulatory framework.

Rent control opponents argue that landlords will convert rental buildings to condominiums because of the reduced economic returns due to rent control. In theory this sounds logical but the experience of Vancouver's rental sector shows otherwise.

For analytical purposes data is used from two sources: a) Stanley Hamilton compiled a record of the number of conversions to condominiums from 1971 to 1977 based on records from the Vancouver Land Registry office (See Table A-16); and b) Debbie Seto examined the number of conversions from 1979 to 1988 by using data gathered from the City of Vancouver (See Table A-17). The two sets of data are not comparable because the 1971-1977 data includes Metropolitan Vancouver (which Hamilton defined as including the areas of North and West Vancouver, the Sunshine Coast and the city of Vancouver) whereas the 1979-1988 data includes only the city of Vancouver. Given the limitations of the data they do show, however, that conversion activities have varied considerably and that the level of activity appears unrelated to the presence or absence of rent control.

Table A-16 indicates that substantial conversion pressures existed in Metro Vancouver from 1971, when conversions first occurred, to 1973. These conversions, together with a tight rental market caused the New Democratic government to introduce the Strata Titles Act in 1974 which restricted condominium conversions by requiring municipal approval for all conversions.[383] The reduction in conversions from 1974 to 1977 is probably accounted for by this legislation.

The Strata Titles Act (and the subsequent 1980 Condominium Act) clearly acknowledges the importance of the rental sector. Prior to granting their approval, municipalities must consider a number of conditions including "the priority of rental accommodation over privately owned housing in the area." [384] In spite of this

383. Stanley Hamilton, Condominiums: A Decade of Experience in British Columbia (Vancouver: The British Columbia Real Estate Association, 1978), p. 9.

384. Strata Titles Act S.B.C.1974, c.89, s.5(2)(b)(i).

condition, Seto reports that the City of Vancouver, on average, approves 75% of all conversion proposals brought to City Council.[385]

Given these conversion restrictions, there is no reason why rent control should necessarily result in condominium conversions.

Data from Table A-17 shows no discernable trend in the number of conversions in the city of Vancouver, except that the number of conversions in the period from 1983 to 1985 is low in comparison to 1979-1982 and 1986-1988. This reduction in conversions is probably due to British Columbia's slow economic recovery from the 1981-1982 recession.

The limited data on conversion activity in the city of Vancouver (1979-1988) does not show an increase in the conversion of rental housing during the rent control period. The average number of conversions for the period 1979 to 1982 was 285 per year compared to 220 per year from 1983 to 1988.

There are broader issues such as housing prices and federal housing programs which affect the conversion of rental units to condominiums just as much, if not more, than the presence or absence of rent control. For example, the many rental units which were constructed under the Assisted Rental Program (1976-1978) and the Canada Rental Supply Program (1983-1984) may be converted to ownership at any time because they were registered as strata title units. Because they do not require municipal permission, these units will not show up in any records as official conversions to condominiums.

Housing prices also affect the number of conversions. Logically one would expect landlords to convert rental units during a booming housing market when housing prices are

385. Debbie Seto, "Condominium Conversion Regulations In British Columbia" (M.A. thesis, University of British Columbia, 1987), p. 90. This figure includes the number of projects approved from 1979-1988.

optimal. One would expect the decision to convert to be much more influenced by these broader issues which are unrelated to the nature of the regulatory framework.

**E) Price Ceilings Below The Market-clearing
Price Cause Excess Demand**

Finding: Excessive demand for rental housing appears to be more closely related to other factors such as demographic trends than to the presence or absence of rent control.

Opponents argue that rent control creates strong demand for rental units because it encourages those sectors of the population who would not otherwise consider rental accommodation at the higher price to remain within the rental sector. They go on to say that decontrol will reduce demand for rental units because, with the increase in rents, the more well-off tenants will switch to the ownership market.[386]

The findings concerning the relationship between rent controls and the creation of excess demand are very tentative. To assess the accuracy of this claim requires reliable data about the levels of rent during the rent control period. This data is unavailable. Instead, an attempt was made to empirically test this assertion by using two different sources of data. Data from 1980 to 1982 was obtained from records that were held by the Rentalsman's Office whereas data from 1983 to 1989 is from the Canada Mortgage and Housing Corporation. Consequently, one is unable to accurately compare rent levels during and after rent control. Despite these deficiencies, some tentative conclusions can be made.

The extent to which rent control created excess demand should relate to the difference in the amount of rent charged in controlled units and the amount that would have been charged in the absence of rent control. If the difference was minimal then the level of

386. Rent Control and Decontrol Scenarios 1985-1991, Clayton Research Associates, pp. 55-56.

demand should hardly be affected whereas if the difference was substantial excessive demand should result. Unfortunately, it is not possible to assess the potential effect of rent control on demand because estimations of what rent levels would have been in the absence of rent control are not available.

The limited information on rent levels in Vancouver indicates that there was a significant difference between rents in controlled and uncontrolled units. Rent for an average two bedroom apartment that was exempt from rent control was 33%, 74% and 76% higher than rent for a controlled unit in 1980, 1981 and 1982 respectively (Table A-14).

It is difficult to draw any conclusions about what effect, if any, rent control had on the level of demand based solely on these differences in rent. From January 1980 to the end of the rent control period, all rents over \$400 were exempt from rent control. The rent levels from 1980 to 1982 only indicate a difference in rent levels between the older, less expensive rental stock and the newer, more expensive stock which was exempt from rent control. Demand for less expensive rental housing will always be greater than demand for more expensive housing, regardless of the regulatory framework.

The fact that the rent level for a two bedroom unit increased 74% from \$337 in 1982 to \$586 in 1983, when rents were decontrolled suggests that rent control may have caused excess demand for controlled units. However, the 1982 and 1983 data were collected from different sources which makes any comparison of rents during and following rent control unreliable.

At first glance, vacancy rates, which are a good indicator of demand, appear to support the assertion that rent control produced excess demand in Vancouver's controlled sector. The elimination of rent control should logically mean that demand for rental housing will soften and that vacancy rates will increase. At the time rent control ended, Vancouver's

vacancy rate went from 0.2% in 1982 to 1.5% in 1983, 2.0% in 1984 and 2.2% in 1985 (See Table A-11).

It is impossible, however, to attribute the weakening of demand solely to the elimination of rent control. As previously mentioned, from 1983 to 1985 the unemployment rate rose considerably, the number of in-migrants to the province fell well below the norm, and growth in the GDP was marginal. Given the poor economic climate which existed when rent control was eliminated, it is very probable that vacancy rates would have substantially increased regardless of whether or not rent control was eliminated.

When one looks at the overall pattern of vacancy rates from 1970 to 1989 it is difficult to see what role rent control played in determining the level of demand (See Figure 9). There is no discernable relationship between vacancy rates and the rent control period. Instead, the pattern shows that since the rental crisis in the early 1970's, vacancy rates in Vancouver have been high only during the 1982-1986 period. For the rest of the period, from 1973 onward, "excessive demand" has been a basic characteristic of the rental sector. Clearly, the occurrence of excess demand has more to do with economic and demographic factors than it does with rent control.

F) The Market Value Of Rental Buildings Will Be Reduced Thereby Reducing The Government's Tax Base

Finding: Vancouver's tax base was probably reduced during the rent control period.

Opponents claim that rent control will result in a loss of tax revenue for government because the amount of rent generated by it is an inherent part of a building's property value.

It is difficult to assess the accuracy of this claim because data on changes in the value

of rental buildings is unavailable. As a result, analysis of this claim is based on the logical argument of how property taxes are determined.

Property taxes are based on the assessed value of the property. The B.C. Assessment Authority assesses rental buildings every two years. The following three basic factors are included in the appraisal value of rental buildings:

- a) the cost to construct the building;
- b) the market value of the land; and
- c) the amount of income generated by the building.[387]

Rent control would affect the third factor, the amount of income generated by the building.

Logically the amount of property taxes for rent-controlled buildings would have been less than if controls were not in place. This is not to say that property taxes decreased during rent control, only that taxes did not increase as much as they otherwise would have if rent control had not been in effect. Land values are an important component of a building's assessed value.[388] They rose steadily throughout the rent control period until the 1981-1982 recession which would have caused property taxes to increase in spite of rent control.

To provide some insight as to what effect rent control had on property taxes, this study reviewed one example of a rental building's property taxes for the period 1976-1987 (See Table A-18). This building is thirty-three years old, contains fifty-three units, and is located in Vancouver's West End. It was a rent-controlled building from 1974 to 1983.

387. Telephone Interview with an appraiser at the B.C. Assessment Authority (Vancouver Branch) 19 March 1990.

388. Ibid.

Although each rental building is unique and it is difficult to generalize findings, the amount of property taxes for this building shows some relationship to the rent control period. Property taxes for this building decreased from 1977 to 1978 by 22.2% (without any adjustment to constant dollars) and remained relatively constant until 1984, one year after rent control was eliminated. Then in 1985, property taxes on this building increased by approximately 15% over 1984 (again without a constant dollar adjustment) and continued to escalate in 1986 and 1987. It is difficult, however, to determine what proportion of these recent tax increases is attributable to rising land values or the general improvement of economic conditions.

Clearly, the assessed value of rental buildings includes many components, of which rental income is only one. By reducing the amount of rental income, rent control probably reduced the amount of property taxes. This foregone tax revenue would, in effect, serve as a rent subsidy to tenants.

5.3 Conclusion

The most significant finding in this study is that there is no discernable relationship between the nature of the regulatory framework and the level of:

- rental construction;
- rental demolitions; and
- rental conversions to condominiums.

This study also finds that rent control probably caused a reduction in the City of Vancouver's tax revenue. This study does not conclusively show what effect, if any, rent control had on:

- the maintenance of rental buildings; and
- the creation of excess demand for rental housing.

The absence of a relationship between rent control and the level of rental construction, rental demolitions, and rental conversions is contrary to the most common assertions made by

neo-classical economists and conservative politicians. Rent control was eliminated in British Columbia in 1983 because it was assumed that these claims were true and that rent control policy had, and would continue to, cause the private rental sector to deteriorate.

This case study was limited by the available data; however, it does provide some insight into what impact rent control had on Vancouver. Further research is required which would build on the empirical analysis within this study. More empirical studies need to be conducted on the impact rent control had on other areas in the province in order to more completely assess the effects of rent control. In addition, the assertions of supporters of rent control should be assessed to determine what, if any, positive effects rent control had on the rental sector.

This study attempted to fairly identify and assess the claims and predictions made by rent control opponents. Clearly, those opposed to rent control are not a homogeneous group; this study pointed out those instances where opinions diverge. Moreover, the findings are not based on only a few years of Vancouver's experience with rent control. Instead, they are based on the full nine year rent control period (1974-1983) and the subsequent control-free period (1984-1989). These periods are sufficiently long to enable one to accurately assess the claims and predictions made by rent control opponents.

This study shows that Vancouver's rental market has deteriorated since 1974 when control was introduced. In particular, problems intensified from 1983 to 1989--after the elimination of rent control. Market deterioration is clearly evident from the low level of rental construction and the persistently low vacancy rates. The only time significant numbers of rental units were built was when federal housing programs like the Assisted Rental Program (1976-1978) and the Canada Rental Supply Program (1983-1984) were in effect.

The reasons for the decline in the rental sector since 1974 are deep-rooted and can not be solely attributed to rent control. If rent control was the only reason for the decline in the rental sector then the elimination of controls in 1983 should have signalled the beginning of a recovery for this sector. It did not. Through the operation of the principles of supply and demand, market equilibrium should have returned so that today, there should be enough rental units to meet the demand.

The rental market has not returned to a state of equilibrium because other socio-economic forces influence the rental market just as much, if not more, than rent control. The most significant economic factors which affect the rental market include the level of provincial Gross Domestic Product and unemployment as well as the rate of inflation and interest. Demographic forces also affect the market, particularly the flow of migrants from other provinces. These factors greatly impact on the rental sector whether or not rent regulations are in place.

The graphs presented in this study show that these socio-economic indicators fluctuated considerably from 1974 to 1989 with or without the presence of rent control. From these graphs it is apparent that the amount of residential investment and the level of the vacancy rate correspond to the level of the GDP and the unemployment rate, as well as to interest rates and the level of inflation. When economic conditions were favourable, the number of in-migrants was high, which in turn meant that vacancy rates were low.

The graphs also show that the number of condominium, non-market, and private rental starts and completions fluctuated with the implementation of federal housing programs. In the absence of major housing programs, the amount of construction in the condominium sector responded to the economic climate but construction in private rental housing did not. This is especially evident since the mid-1980's: the level of the GDP was high and interest rates

and inflation were relatively stable and significant numbers of condominiums were built. In contrast, the amount of rental construction steadily decreased even though the economy was much improved and demand was extremely high.

This study shows that Vancouver's rental market, and the effects of rent control on it, are very complex. It is misleading and simplistic to assume, as many neo-classical economists and conservative politicians do, that rent control automatically produces a host of negative consequences for the rental sector.

This study shows that the rationale cited by the politicians for eliminating rent control in 1983 was erroneous. Cabinet ministers claimed that eliminating rent control would result in "a healthy availability of rental accommodation" and a "reasonable vacancy rate in the future." They urged British Columbians to "have some faith in the rental market."

Just as it is misleading to exaggerate the negative effects of rent control so too is it misleading to exaggerate the positive consequences which will automatically follow its elimination. The findings of this study clearly show that politicians' faith in the private rental market was misplaced. Problems in Vancouver's rental market have gotten worse since rent control ended, not better.

A primary reason for the failure of the private rental market, as discussed in chapter 2, is the widening gap between market rent and financial recovery rent. It is simply not economical to build rental housing. Whether or not there is rent control makes no measurable difference to the level of construction.

The rental market has severe problems reaching an equilibrium state. The empirical evidence from 1983 to 1989 indicates that equilibrium will likely remain an impossibility. Supply is not meeting demand. When this happens, rents go up, tenants complain, and government intervenes with regulations to protect consumers (renters) from the consequences

of market failure. Market failure causes rent control, rent control does not cause market failure.

Further research needs to be done about how investment decisions in rental housing are made. We need to know, for example, whether investment in Vancouver's rental market, with or without rent control, can compete in the investment market across the country. Given the increasing poverty among tenants, one would assume that investment in the rental market cannot compete with other forms of investment.

When one looks at the broader context of Vancouver's rental market it is clear that rent control can alleviate only some of the problems inherent in a tight rental market. The most detrimental consequence of rent control, which is not mentioned by rent control opponents, is that all of the attention and money spent on this one policy debate means the more basic problems of supply and affordability are ignored.

Those who support rent control acknowledge the problem of affordability is hardly touched by rent control. Rent control is intended to prevent affordability problems from worsening. The essence of the problem, therefore, is not addressed by rent control. The purpose of rent control is to protect tenants from being exploited when the market fails to provide sufficient supply.

Everyone agrees that rent control does nothing to increase new rental construction. The supply of new rental construction will continue to fall as tenant affordability problems and construction costs continue to increase. Rent control is not intended to "solve" all of the problems in the rental sector--it's usefulness is limited to providing tenants with a degree of protection.

In 1983, during debate over the elimination of rent control, then Consumer and Corporate Affairs Minister, Jim Hewitt, argued that the "marketplace should be allowed to

work." The problem is, without effective market demand, it doesn't work. There is a great deal of social need rather than effective market demand. The private rental market does not, and cannot, respond to social need.

The time is well-overdue to turn attention away from debate over rent control and to address the fundamental problems which prevent the rental market from working. British Columbia needs comprehensive housing policies that are committed to the problems of affordability and supply. Only when these issues are adequately addressed will the need for some form of consumer protection be eliminated.

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Appendix A

Appendix A includes three sets of indicators that are used to assess socio-economic and rental market activity in Vancouver for the period 1970 to 1989. The indicators include the following:

- 1) Tables A-1 to A-5 economic indicators;
- 2) Tables A-6 to A-7 social indicators; and
- 3) Tables A-8 to A-18 rental market indicators

Table A-1

Gross Domestic Product 1970-1989
Canada and British Columbia

1981 Prices (millions of dollars)

Year	Canada	Canada Growth Rate By %	British Columbia	B.C. Growth Rate By %
1970	219,498		25,428	
1971	232,137	5.8%	26,853	5.6%
1972	245,441	5.7%	29,377	9.4%
1973	264,369	7.7%	32,572	10.9%
1974	276,006	4.4%	33,331	2.3%
1975	283,187	2.6%	32,943	-1.2%
1976	300,638	6.2%	35,635	8.2%
1977	311,504	3.6%	37,661	5.7%
1978	325,751	4.6%	39,307	4.4%
1979	338,362	3.9%	40,993	4.3%
1980	343,384	1.5%	42,577	3.9%
1981	355,994	3.7%	44,691	5.0%
1982	344,543	-3.2%	43,091	-3.6%
1983	355,445	3.2%	43,253	0.4%
1984	377,865	6.3%	44,513	2.9%
1985	395,878	4.8%	47,306	6.3%
1986	408,143	3.1%	46,789	-1.1%
1987	426,411	4.5%	48,945	4.6%
1988	447,779	5.0%	52,057	6.4%
1989	458,437	2.4%	* 54,630	4.9%

SOURCES: Canada data from Canadian Economic Observer
Historical Statistical Supplement 1988/89, Cat# 11-210
Monthly edition, February 1990, Table 1.3, Cat#11-010
British Columbia Economic Accounts 1961-1987, Table 15
B.C. Ministry of Finance and Corporate Relations,
British Columbia Central Statistics Bureau
1988-89 data from Central Statistics Bureau,

Telephone 26 March 1990

NOTE: * Preliminary data

Table A-2

Unemployment Rate In Canada, British Columbia,
and Metro Vancouver

Year	Canada	British Columbia	Metro Vancouver
1970	5.7	7.7	7.9
1971	6.2	7.2	7.1
1972	6.2	7.8	8.0
1973	5.5	6.7	6.4
1974	5.3	6.2	5.3
1975	6.9	8.5	7.1
1976	7.1	8.6	8.2
1977	8.1	8.5	7.7
1978	8.3	8.3	7.5
1979	7.4	7.6	6.9
1980	7.5	6.8	5.3
1981	7.5	6.7	4.9
1982	11.0	12.1	9.8
1983	11.9	13.8	12.2
1984	11.3	14.7	13.6
1985	10.5	14.2	13.2
1986	9.6	12.6	10.7
1987	8.9	12.0	11.4
1988	7.8	10.3	9.4
1989	7.5	9.1	7.6

SOURCES: Canadian Economic Observer
Cat# 11-210 Vol.2 Statistics Canada
Historical Statistical Supplement 1987
Canadian Economic Observer, June 1989,
Table 12.4. and February 1990, Table 12.4
Cat# 11-010 Vol.2 No.6
CMA Vancouver data is from:
Table 20, The Labour Force, Jan 1975,
Vol.31 - No.1, Cat#71-001.
Table 53, Labour Force Annual Averages
1975-1983, Cat#71-529.
Table 36, Labour Force Annual Averages
1975-1983, Cat#71-529.
Table 36, The Labour Force,
December 1989, Cat#71-001.

Table A-3

Consumer Price Index 1970-1989
Canada and Vancouver CMA
(1981=100)

Year	Canada	Annual % Change	Vancouver CMA	Annual % Change
1970	41.0			
1971	42.2	2.93%	41.8	
1972	44.2	4.74%	44.1	5.50%
1973	47.6	7.69%	47.3	7.26%
1974	52.8	10.92%	52.8	11.63%
1975	58.5	10.80%	58.6	10.98%
1976	62.9	7.52%	64.3	9.73%
1977	67.9	7.95%	68.9	7.15%
1978	73.9	8.84%	74.3	7.84%
1979	80.7	9.20%	80.0	7.67%
1980	88.9	10.16%	87.5	9.38%
1981	100.0	12.49%	100.0	14.29%
1982	110.8	10.80%	110.5	10.50%
1983	117.2	5.78%	116.6	5.52%
1984	122.3	4.35%	121.3	4.03%
1985	127.2	4.01%	125.2	3.22%
1986	132.4	4.09%	129.3	3.27%
1987	138.2	4.38%	133.3	3.09%
1988	143.8	4.05%	138.1	3.60%
1989	151.0	5.01%	144.2	4.42%

SOURCES: Canadian Economic Observer,
Historical Statistical Supplement 1987
Tables 12.11 and 12.12 Cat# 11-210,
Vol.2 Statistics Canada.
Canadian Economic Observer June 1989,
Tables 12.11 and 12.12;
February 1990, Table 12.12
Cat# 11-010 Vol.2 No.6

NOTE: 1971 is the first year CPI is
available for Vancouver CMA

Table A-4

Rent Index 1971-1989
Canada and Vancouver CMA
(1981=100)

Year	Canada	Annual % Change	Vancouver CMA	Annual % Change
1971	64.6		61.3	
1972	65.4	1.24%	62.1	1.31%
1973	66.3	1.38%	63.9	2.90%
1974	68.1	2.71%	67.0	4.85%
1975	71.8	5.43%	71.6	6.87%
1976	76.8	6.96%	76.9	7.40%
1977	81.6	6.25%	81.8	6.37%
1978	85.9	5.27%	84.6	3.42%
1979	89.7	4.42%	87.8	3.78%
1980	94.0	4.79%	92.1	4.90%
1981	100.0	6.38%	100.0	8.58%
1982	109.0	9.00%	110.6	10.60%
1983	117.2	7.52%	117.4	6.15%
1984	123.1	5.03%	123.2	4.94%
1985	128.3	4.22%	126.4	2.60%
1986	133.5	4.05%	129.3	2.29%
1987	138.5	3.75%	132.2	2.24%
1988	144.0	3.97%	136.1	2.95%
1989	151.6	5.28%	143.4	5.36%

SOURCES: CANSIM computer program, Time Series
Retrieval (monthly), dated 22 Jan 1986
Database D488798 (Vancouver)
and D484168 (Canada) 1981-1986.
CANSIM computer program, Time Series
Retrieval (monthly), dated 20 Jan 1987.
Database D488798 (Vancouver)
and D484168 (Canada) 1971-1980.
Consumer Prices and Price Indexes,
Oct-Dec 1988, Cat#62-010 Quarterly,
Tables 9 and 11. 1987-1988.
Monthly editions 1989, Table 6, Cat# 62-001.

NOTE: 1971 is the first year rent index is available.

Table A-5

Number Employed In Canada, British Columbia
and Metro Vancouver 1970-1989

(Thousands of Persons)

Year	Canada	British Columbia	Metro Vancouver
1970	7,919	805	
1971	8,104	834	
1972	8,344	865	
1973	8,761	920	
1974	9,125	976	
1975	9,284	995	538
1976	9,477	1,021	532
1977	9,651	1,050	551
1978	9,987	1,103	567
1979	10,395	1,144	591
1980	10,708	1,213	643
1981	11,001	1,270	643
1982	10,618	1,202	618
1983	10,675	1,190	604
1984	10,932	1,191	601
1985	11,221	1,220	631
1986	11,531	1,270	679
1987	11,861	1,306	684
1988	12,244	1,358	713

SOURCES: Table 12.2, Canadian Economic Observer,
Historical Statistical Supplement 1988/89,
Cat# 11-210 Vol.3.
Metro Vancouver data from:
Labour Force Annual Averages 1975-1983,
Table 53, Cat# 71-529.
Labour Force Annual Averages 1981-1988,
Table 36, Cat# 71-529.
The Labour Force, December 1989,
Table 36, Cat# 71-001.

Table A-6

Population Increase: British Columbia 1970-1989

Year	Interprov Net	Internatl Net	Natural Increase	Total Increase	Population	Annual % Change
1970	22,579	13,666	19,841	56,086	2,168,000	2.66%
1971	25,034	10,016	17,069	52,119	2,223,600	2.40%
1972	24,927	10,925	16,542	52,394	2,280,200	2.36%
1973	30,537	16,553	16,257	63,347	2,349,800	2.78%
1974	22,655	23,148	16,273	62,076	2,418,300	2.64%
1975	(2,864)	18,961	17,130	33,227	2,457,100	1.37%
1976	(1,490)	11,079	17,060	26,649	2,485,500	1.08%
1977	15,507	7,463	18,095	41,065	2,527,100	1.65%
1978	20,698	4,985	18,173	43,856	2,572,100	1.74%
1979	33,241	10,617	19,228	63,086	2,636,400	2.45%
1980	40,165	19,170	20,733	80,068	2,717,700	3.04%
1981	19,885	16,336	21,617	57,838	2,774,100	2.13%
1982	(2,019)	11,949	22,040	31,970	2,802,700	1.15%
1983	4,029	7,347	23,092	34,468	2,833,800	1.23%
1984	3,505	5,813	23,225	32,543	2,863,000	1.15%
1985	(3,199)	5,116	21,825	23,742	2,883,400	0.83%
1986	1,136	6,108	20,754	27,998	2,910,000	0.97%
1987	19,408	11,978	19,756	51,142	2,961,100	1.76%
1988	29,896	16,535	21,200	67,631	3,028,800	2.28%
1989	39,191	19,436	20,290	78,917	3,107,700	2.61%

SOURCES: British Columbia Central Statistics Bureau
Quarterly Components of Population Change for B.C."
1989 data from the B.C. Central Statistics Bureau,
Telephone 26 March 1990.

NOTE: 1989 data are preliminary.

Table A-7

Private Dwelling Characteristics By Tenure

	Total	Owned	Owned as % Total	Rental	Rental as % Total
1971					
Canada	6,034,505	3,636,925	60.27%	2,397,585	39.73%
B.C.	667,545	422,780	63.33	244,765	36.67
Vancouver	153,242	71,846	46.88	81,396	53.12
1976					
Canada	7,166,095	4,431,234	61.84%	2,734,861	38.16%
B.C.	828,287	540,633	65.27	287,654	34.73
Vancouver	160,226	74,543	46.52	85,683	53.48
1981					
Canada	8,281,535	5,141,940	62.09%	3,139,590	37.91%
B.C.	996,640	641,445	64.36	355,195	35.64
Vancouver	173,040	77,715	44.91	95,325	55.09
1986					
Canada	8,991,670	5,580,880	62.07%	3,368,480	37.46%
B.C.	1,087,115	676,175	62.20	398,400	36.65
Vancouver	185,795	78,570	42.29	107,225	57.71

SOURCES: British Columbia Pat 1 Profiles, "Selected Characteristics For Census Divisions and Census Subdivisions, 1986 Census" Cat# 94-119.
Selected Characteristics B.C., Table 1, 1981 Census Cat# 98-910.
Table 4, 1981 Census, Cat# 92-903 (Vol I).
Table 4, 1976 Census, Cat# 93-802.
Tables 1 and 2, 1971 Census, Cat# 93-727, Vol.2, Part 3.

Table A-8

Residential Investment In British Columbia
In millions of constant (1981) dollars

Year	% of Prov GDP	Residential Investment	% Change Over Previous Year
1970	6.1	1,643	
1971	7.3	1,958	19.17%
1972	7.7	2,248	14.81%
1973	7.7	2,505	11.43%
1974	7.6	2,538	1.32%
1975	7.4	2,441	-3.82%
1976	7.9	2,799	14.67%
1977	7.5	2,819	0.71%
1978	7.3	2,853	1.21%
1979	7.3	2,987	4.70%
1980	8.4	3,580	19.85%
1981	9.1	4,069	13.66%
1982	7.0	3,021	-25.76%
1983	7.3	3,148	4.20%
1984	6.4	2,848	-9.53%
1985	6.5	3,062	7.51%
1986	7.2	3,369	10.03%
1987	8.4	4,097	21.61%
1988	8.9	4,608	12.47%
1989	* 9.7	5,314	15.32%

SOURCES: B.C. Economic Accounts 1961-1987, Table 15
B.C. Ministry of Finance and Corporate Relations
B.C. Central Statistics Bureau, telephone
26 March 1990 (1988 and 1989 data).

NOTE: These figures do not include residential investment by the provincial government. Residential investment means investment in residential construction.

Residential construction includes all expenditures for new housing including single units, multiple units and apartment dwellings as well as major improvements and alterations and transfer costs such as legal fees and real estate commissions.

* Data for 1989 are preliminary.

Table A-9

Conventional Mortgage Rates 1970-1989

Year	5 Year Interest Rate	3 Year Interest Rate	1 Year Interest Rate
1970	10.45	10.45	
1971	9.43	9.43	
1972	9.21	9.21	
1973	9.59	9.59	
1974	11.24	11.23	
1975	11.43	11.42	
1976	11.78	11.78	
1977	10.36	10.36	
1978	10.59	10.59	
1979	11.98	11.98	
1980	14.32	14.32	13.98
1981	18.15	18.15	18.13
1982	17.89	17.85	16.85
1983	13.29	12.67	10.98
1984	13.61	13.24	12.00
1985	12.18	11.65	10.31
1986	11.22	10.88	10.15
1987	11.14	10.71	9.85
1988	11.60	11.28	10.83
1989	12.06	12.17	12.85

SOURCES: Canadian Economic Observer (5 year rates)
Historical Statistical Supplement 1987,
Table 10.1, Cat# 11-210 Vol.2 Statistics Canada.
Monthly Edition, February 1990, Table 10.1,
Cat# 11-010. Canadian Housing Statistics
(3 year rates) 1988, 1985, 1980, 1978,
1973 editions. Ted Mitchell (1989 data).
Bank of Canada Review (1 year rates).

NOTE: 1980 was the first year for 1 year mortgages.

Table A-10

Multiple Unit Starts: Canada, British Columbia, and Vancouver

	Canada			British Columbia		
	Total	Apartment and Other	Apartment and Other % of Total	Total	Apartment and Other	Apartment and Other % of Total
1970	190,528	91,898	48.23%	27,316	10,890	39.87%
1971	233,653	106,187	45.45%	34,765	14,035	40.37%
1972	249,914	103,715	41.50%	35,317	13,247	37.51%
1973	268,529	106,451	39.54%	37,627	13,912	36.97%
1974	222,123	74,025	33.33%	31,420	10,376	33.02%
1975	231,456	70,361	30.40%	34,152	10,671	31.25%
1976	273,203	89,324	32.70%	37,727	12,494	33.12%
1977	245,724	92,327	37.57%	32,358	12,198	37.70%
1978	227,667	77,327	33.96%	28,618	6,362	22.23%
1979	197,049	58,387	29.63%	27,345	6,780	24.79%
1980	158,601	48,329	30.47%	37,546	11,714	31.20%
1981	177,973	61,609	34.62%	41,585	16,406	39.45%
1982	125,860	53,162	42.24%	19,807	8,868	44.77%
1983	162,645	44,124	27.13%	22,607	5,059	22.38%
1984	134,900	37,342	27.68%	16,169	5,067	31.34%
1985	165,826	51,576	31.10%	17,969	4,219	23.48%
1986	199,785	61,020	30.54%	20,687	4,867	23.53%
1987	245,986	80,370	32.67%	28,944	8,225	28.42%
1988	222,562	69,488	31.22%	30,487	7,720	25.32%
1989	215,382	65,628	30.47%	38,894	11,413	29.34%

SOURCES: CMHC Canadian Housing Statistics, 1973, 1974, 1979, 1981, 1983, 1985, 1987, 1988.
New Housing Activity Summary Sheets - Year Totals
CMHC Vancouver Office 1972-1988
Telecom Helmut Pastrick, CMHC Regional Office, 1970, 1971
Ted Mitchell (1989 data)

NOTE: Apartment and Other is defined as "An apartment unit is a self-contained dwelling unit situated above or below one or more other units. Examples of other multiple unit structures are row duplexes and units over commercial space."

Continued on next page.

Table A-10 (continued)

	Metro Vancouver			Vancouver		
	Total	Apartment and Other	Apartment and Other % of Total	Total	Apartment and Other	Apartment and Other % of Total
1970	13,437	7,766	57.80%	1,715	1,277	74.46%
1971	15,553	8,822	56.72%	3,311	2,437	73.60%
1972	16,210	6,896	42.54%	2,537	1,418	55.89%
1973	17,334	7,281	42.00%	3,309	2,516	76.04%
1974	14,452	6,349	43.93%	2,580	1,838	71.24%
1975	13,315	4,869	36.57%	2,288	1,689	73.82%
1976	16,702	6,114	36.61%	3,812	2,279	59.78%
1977	15,257	7,082	46.42%	4,421	3,438	77.77%
1978	12,183	3,555	29.18%	2,463	1,258	51.08%
1979	12,827	3,523	27.47%	2,496	1,292	51.76%
1980	16,780	5,435	32.39%	2,965	1,712	57.74%
1981	15,227	8,000	52.54%	3,238	1,863	57.54%
1982	10,116	5,171	51.12%	2,303	1,638	71.12%
1983	12,302	3,863	31.40%	2,431	1,244	51.17%
1984	9,683	4,256	43.95%	2,884	1,706	59.15%
1985	11,315	3,524	31.14%	2,999	1,899	63.32%
1986	13,578	3,978	29.30%	3,245	1,984	61.14%
1987	17,860	5,936	33.24%	4,163	2,568	61.69%
1988	17,901	5,473	30.57%	3,825	2,286	59.76%
1989	21,834	8,086	37.03%	4,448	2,587	58.16%

Table A-11

Vacancy Rates, 1970-1989

	Vancouver (City)	Vancouver (CMA)	Average National Rate by CMA
1970	2.10	2.70	5.00
1971	3.70	4.10	5.00
1972	1.90	2.40	4.50
1973	0.60	1.00	3.40
1974	0.20	0.30	2.50
1975	0.10	0.20	1.20
1976	0.20	0.40	1.10
1977	1.10	1.60	1.50
1978	1.20	1.50	2.30
1979	0.80	0.90	3.00
1980	0.10	0.10	2.50
1981	0.00	0.10	1.60
1982	0.20	0.60	1.40
1983	1.50	2.60	2.70
1984	2.00	2.40	2.70
1985	2.20	2.80	1.90
1986	0.50	0.90	1.40
1987	2.30	2.30	1.90
1988	1.00	1.00	2.70
1989	0.50	0.50	2.50

SOURCES: Table HA-1, Rental Market Survey Report, Oct 1989 (CMHC Vancouver); Tables C-1 and C-2, Rental Market Survey Report, Apr 1989; Table IA, Apartment Vacancy Survey, Oct 1981. Table III, October 1980, Apartment Vacancy Survey; Table III, October 1978 Apartment Vacancy Survey; Table III, October 1976 Apartment Vacancy Survey. Table 21, Canadian Housing Statistics 1975.

Table 21, Canadian Housing Statistics 1974.

NOTES: Vacancy rates are for privately initiated rental apartment structures of six units and over. Data for 1970-1974 are for vacancies in June. Data for 1975-1989 are for vacancies during April. For 1970-1986 the vacancy rate is based on units more than 6 months old at time of survey. After 1987, the rate is based on stock that is more than 3 months old at time of survey.

Table A-12

Housing Starts By Intended Market: Vancouver, 1983-1989

Year	Private Rental				Condominium		
	Apt Total	Apt Rent	% Annual Change	Apt Rent as % of Apt Total	Condo	% Annual Change	Condo as % of Apt Total
1983	1,244	750		60.3%	92		7.4%
1984	1,706	846	12.80%	49.6%	209	127.17%	12.3%
1985	1,899	275	-67.49%	14.5%	924	342.11%	48.7%
1986	1,984	88	-68.00%	4.4%	1,104	19.48%	55.6%
1987	2,568	463	426.14%	18.0%	1,327	20.20%	51.7%
1988	2,286	253	-45.36%	11.1%	1,608	21.18%	70.3%
1989	2,587	230	-9.09%	8.9%	1,803	12.13%	69.7%

Non-market Rental				
Year	Apt Total	Apt Rent	% Annual Change	Apt Rent as % of Apt Total
1983	1,244	402		32.3%
1984	1,706	651	61.94%	38.2%
1985	1,899	700	7.53%	36.9%
1986	1,984	792	13.14%	39.9%
1987	2,568	778	-1.77%	30.3%
1988	2,286	425	-45.37%	18.6%
1989	2,587	554	30.35%	21.4%

SOURCE: New Housing Activity Summary Sheets - Year Totals
CMHC Vancouver Office

NOTE: Apartments include structures with six or more self-contained units.
Non-Market Starts includes all co-ops and non-profit housing.
Information prior to 1983 not available.

Table A-13

Housing Completions By Intended Market: Vancouver, 1975-1989

Year	Private Rental				Condominium			
	Apt Total	Apt Rent	% Annual Change	as % of Apt Total	Condo Total	% Annual Change	as % of Apt Total	
1975	2,956	261		8.8%	1,390		47.0%	
1976	1,581	104	-60.2%	6.6%	1,037	-25.4%	65.6%	
1977	2,303	558	436.5%	24.2%	1,248	20.3%	54.2%	
1978	2,951	2,149	285.1%	72.8%	275	-78.0%	9.3%	
1979	1,099	626	-70.9%	57.0%	218	-20.7%	19.8%	
1980	1,453	1,107	76.8%	76.2%	238	9.2%	16.4%	
1981	1,536	1,017	-8.1%	66.2%	363	52.5%	23.6%	
1982	1,302	690	-32.2%	53.0%	339	-6.6%	26.0%	
1983	1,434	872	26.4%	60.8%	175	-48.4%	12.2%	
1984	1,300	626	-28.2%	48.2%	244	39.4%	18.8%	
1985	1,879	604	-3.5%	32.1%	656	168.9%	34.9%	
1986	2,441	358	-40.7%	14.7%	1,129	72.1%	46.3%	
1987	1,529	142	-60.3%	9.3%	777	-31.2%	50.8%	
1988	2,168	573	303.5%	26.4%	930	19.7%	42.9%	
1989	2,081	381	-33.5%	18.3%	1,249	34.3%	60.0%	

Non-market Rental				
Year	Apt Rent	% Annual Change	as % of Apt Total	
1975	2,956	1,305	44.1%	
1976	1,581	440	-66.3%	27.8%
1977	2,303	497	13.0%	21.6%
1978	2,951	527	6.0%	17.9%
1979	1,099	255	-51.6%	23.2%
1980	1,453	108	-57.6%	7.4%
1981	1,536	156	44.4%	10.2%
1982	1,302	273	75.0%	21.0%
1983	1,434	387	41.8%	27.0%
1984	1,300	430	11.1%	33.1%
1985	1,879	833	93.7%	44.3%
1986	2,441	954	14.5%	39.1%
1987	1,529	610	-36.1%	39.9%
1988	2,168	665	9.0%	30.7%
1989	2,081	451	-32.2%	21.7%

SOURCES: New Housing Activity Summary Sheets (CMHC Vancouver);
Apartment Dwelling Completions Metro Vancouver
(CMHC B.C. Region) 1975-1982.

Table A-14

Average Rent For a 2 Bedroom Apartment, 1980-1989

Year	Vancouver City		Vancouver CMA	
	Controlled	Exempt	Controlled	Exempt
1980	374	497	349	493
1981	308	537	315	499
1982	337	594	343	548
1983	586		555	
1984	601		527	
1985	635		551	
1986	695		587	
1987	716		588	
1988	760		631	
1989	825		707	

SOURCES: 1989 data are from Table HA-4, Rental Market Survey Report, Oct 1989; 1983-88 data are from Table C-5, Rental Market Survey Report, April 1989. 1980-83 data from Rent Review Commission's Computer Program RRS900, Runs dated: 27/11/80, 27/11/81, 08/12/81, 03/12/81, 18/12/82.

NOTE: Rent is based on figures for the month of October (1983-89).

Table A-15

Housing Demolition Permits For Apartments
Vancouver CMA

Year	Demolition Permits
1976	118
1977	139
1978	241
1979	146
1980	501
1981	403
1982	146
1983	121
1984	182
1985	506
1986	189
1987	262
1988	483
1989	110

SOURCES: Building Permits: Annual Summary
Table 13, annual editions 1976-1988
Cat# 64-203 Annual.
Telephone call to the Statistics Canada
Current Investment Indicator Section,
30 March 1990 (1989 data).

NOTES: 1989 data are preliminary.
Apartment refers "to dwellings contained in
structures with several units
such as duplexes, triplexes, quadruplexes,
row duplexes and apartment buildings proper".

Table A-16

Condominium Conversions: Metropolitan Vancouver, 1971-1977

Year	Number of Units
1971	119
1972	305
1973	114
1974	51
1975	63
1976	109
1977	2

SOURCE: Stanley Hamilton, Condominiums: A Decade
Experience In British Columbia, (Vancouver:
The British Columbia Real Estate Association, 1978)
Table 2.3.

Table A-17

Conversion of Rental Units to Condominiums
City of Vancouver, 1979-1988

Year	Number of Units
1979	219
1980	393
1981	230
1982	299
1983	166
1984	125
1985	67
1986	264
1987	376
1988	323

SOURCE: Debbie Seto, "Condominium Conversion Regulations In British Columbia," M.A. thesis, University of British Columbia, 1987, table 11.

Table A-18

Property Taxes: 1906 Barclay Street
1976-1987

Year	Dollars
1976	16,101
1977	17,978
1978	13,994
1979	13,681
1980	14,257
1981	13,802
1982	17,747
1983	16,372
1984	16,943
1985	19,445
1986	20,409
1987	22,094

SOURCE: City of Vancouver property tax
records 1976-1987.

NOTE: These are the annual gross property
taxes for a 54 unit rental building
located in the West End.