Investment Property Owners Association of Nova Scotia

Remarks on Bill 62
Law Amendments Committee
November 1, 2021

Mr. Chair and members of the Law Amendments Committee:

Thank you for the opportunity to speak today on Bill 62.

Last week, I offered a brief overview of the Investment Property Owners of Association – IPOANS.

Today, I would like to draw to your attention to copies of two reports – a 2016 KPMG report on the rental housing sector in Canada and a 2021 study IPOANS commissioned from Gardner Pinfold Consultants. I invite you to read both.

According to the KPMG report, Nova Scotia's rental housing industry contributes $1.3 billion to the province's GDP.

It also represents $563 million in employment income.

More than 10,000 full-time equivalent jobs.

$308 million in property taxes, sales taxes (including HST) and excise taxes.

That breaks down with $164 million collected by municipalities, $83 million by the Nova Scotia government, and $26 million by the federal government.

Despite all our sector provides in jobs to Nova Scotians and taxes paid to government for programs and services, the government continues to bring forward legislation like Bill 62 without respecting us with meaningful consultation.

Last week, when I appeared before this Committee, I spoke about how responsible landlords have felt under attack by members of the Legislature from all three parties.

I would like to acknowledge some of the comments made in the House of Assembly from all sides that recognize the good work of the vast majority of landlords.

Unfortunately, Bill 62 is a blunt instrument that punishes the thousands of small businesses that own rental properties.

Based on the questions and comments I received at Committee last week – questions that ignored any of the pain rental property owners are experiencing – many rental property owners continue to feel disrespected by those we elect to this Legislature.

Bill 62 perpetuates a policy lacking in evidence.

Make no mistake, the evidence is clear.

Evidence from Statistics Canada and Canada Mortgage and Housing Corporation.

Over the last 20 years, jurisdictions that have had rent control – Ontario, British Columbia, Manitoba, and Prince Edward Island – have seen rents for apartments increase at a higher rate in those places than in Nova Scotia.

Rental income accounts for 98% of the revenue earned by the small businesses that own rental properties.

Any cap on rent is a cap on what landlords can spend.

On buildings.

On maintenance.

On people.

In a province where 60% of apartment units were built before 1996, a rent cap of 2% that will be in place for more than three years will mean less money will be spent on buildings.

Even worse, a 2% rent cap is not sustainable for small businesses who are facing some of the following skyrocketing expenses.

Insurance premiums going up 45-50%.

Energy costs going up and up and up.

According to TradingEconomics.com, the price of oil, natural gas and propane have gone up from between 68% to 120% - Year to Date, as of last Friday.

And we haven't even hit winter yet.

How do MLAs expect landlords pay for the fuel to heat our buildings?

Property taxes are expected to go up 20-25%.

Isn't it interesting that nobody in this Legislature has thought about helping landlords deal with increased property taxes?

To quote a landlord from Fairview that contacted me over the weekend:

"As a landlord, I too believe in rent control, I also believe in natural gas control, I believe in heating oil control, building insurance control, Halifax water control, I also believe in controlling the outrageous prices that contractors are charging for maintenance, the cost of building material, taxes, appliances and their unavailability and the list goes on… All these costs are incurred by the landlord at 50, 100, or more, percent increases in the last 2, 3 years, all of these increases, our government SHOULD be aware of. Where is the price control or safety measures for the landlord? Rather than putting in place measures that limit the increased costs the landlord incurs, the landlord gets dragged through the media and villainized, rather than calling to account broken promises by past governments, who is truly responsible for our housing situation? I guess it's just easer to divert the blame to landlords…"

As I indicated last week, this is what happens when decisions are made without meaningful consultation with those who are affected.

The Nova Scotia Affordable Housing Commission recommended that ALL stakeholders – including IPOANS – be consulted on housing solutions, including amendments to the Residential Tenancies Act.

That didn't happen with Bill 62.

In the summer provincial election, every party promised in the last election that they would consult with our industry before making decisions that affected us.

That didn't happen with Bill 62.

Bill 62, like Bill 30 before it, is a broken promise by the Progressive Conservatives, the Liberals, and the New Democrats.

A broken promise, because nobody cared to ask us for our opinions and ideas.

Our members were keenly aware the current market conditions were unhealthy and unsustainable.

We understood to make it through this rough patch meant having open and frank discussions with all stakeholders, but we weren't invited to the table.

Bill 62 was not recommended by the independent Nova Scotia Affordable Housing Commission.

That report warned against the consequences of keeping rents artificially low.

I quote from page 28 of the report:

"Operating models that build on projects with uniformly low rents are unsustainable and organizations will face the hard choice of displacing tenants who can't afford the needed increased rent, or delay critical maintenance work on their buildings, two scenarios that should be avoided."

How do MLAs expect to solve an affordable housing crisis by knee-capping the largest provider of affordable housing in the province?

According to Statistics Canada/CMHC data, there are 5,000 small landlords who collectively manage over 60,000 rental units in Nova Scotia.

According to Statistics Canada Census 2016 Profile, there are over 12,000 Duplex rentals in Nova Scotia.

With single residential housing valuations at an all-time high, combined with the hostility the rental market is experiencing in Nova Scotia, duplex investment property owners are considering their options, including selling rentals units.

Every decision has consequences that government must live with.

The government's 2% rent cap will result in property owners selling more rental units.

The sale of more rental units will mean more tenants being forced out of their homes, while at the same time reducing rental housing supply.

If MLAs aren't moved by data, I share with you some lived experiences of small landlords. Here's an excerpt of another email I received in recent days:

"The tenants and I had a verbal agreement that should they look after the property and pay the rent I would try not raising the rent. $900 for a 3-bedroom upper flat with all utilities included was the going rate 15 years ago.
I kept my word and did not raise the rent. Today, 15 years later, I am retired and find the property needs repairs etc. The last 2 years I had made several costly repairs, roof, plumbing etc.
I can no longer subsidize my tenants and cannot raise the rent higher than $18 per month each so I put the place up for sale. It was immediately bought up and the buyers are moving in the upper unit.
I feel so bad for the 15 year tenant who is a retired senior with no family and now has to find a place for $900 everything included.
The tenant wanted me to raise the rent by $75 which would have made me rethink selling because the tenant in the basement also was willing to pay an additional $75.
Unfortunately had I accepted their offer I would have been breaking the law."

These are the consequences of rent caps imposed without data, evidence, or real-world consultation.

How do MLAs expect landlords serving low-income renters to secure financing for major capital repairs such as roof replacements due to insufficient revenue growth?

Most small landlords do not have the financial capacity to sustain 36 months of losing money.

That's the past year of the current rent cap, followed by the next two years.

It's Business 101: prolonged period of expenses outstripping revenues results in either insolvency or funding operations with personal funds.

There were better ways for government to proceed – if only they had asked the people who work in housing.

Why wasn't the cap targeted just to renters in core housing need? How does it help to set a 2% cap on buildings with high income tenants paying anywhere from $3,000 to $5,000 a month?

Why doesn't Bill 62 provide landlords with the ability to apply for an above cap rent increases to offset increases in operating expenses?

Nova Scotia's previous government contemplated a 4% cap for new buildings and 10% for older buildings.

Landlords in other jurisdictions can apply for rent increases above regulated caps for documented increases in operating expenses.

And other jurisdictions do not apply rent control to newer buildings.

Why didn’t Nova Scotia look at that?

Did government even consider all the options available?

Or was the 2% decided for expediency to demonstrate action on a politically sensitive file?

We may never know as we weren’t consulted.

It’s still not too late to work with us to amend Bill 62.

It’s not too late to let Bill 62 stay on the Order Paper and find a better path to balance the interests of tenants and landlords.

Who knows? Perhaps by working with ALL stakeholders, the Nova Scotia government and this legislature can land on solutions that actually work.

Solutions that don’t bring the hammer down on small landlords.

Thank you.