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CANADIAN CENTRE
for POLICY ALTERNATIVES
NOVA SCOTIA OFFICE

CCPA-NS Submission to Law Amendments on BILL NO. 262: *Interim Residential Rental Increase Cap Act*

Submitted April 3rd, 2023, by Catherine Leviten-Reid and Christine Saulnier

Before the emergency pandemic cap and temporary extensions, Nova Scotia had been without rent controls since they were eliminated in 1993 when the province faced vacancy rates as high as 12%.¹ Due to the abolishment of rent controls, landlords could increase the rental rates for their units by any amount simply by providing at least four months' written notice to all tenants before the end of any 12-month period. Changes made to the Residential Tenancies Act in November 2012 did include the introduction of the Annual Allowable Rent Increase Amount (AARIA), which restricts the percentage increase that can be applied to rent in land-lease communities (i.e., mobile home communities).² *We are making this submission to recommend permanent vacancy control instead of the proposed temporary cap extension. Our second recommendation is that the government base the vacancy control's permitted maximum rental unit allowance amount on the AARIA formula.*

The typical argument against rent control is that it reduces the incentive to build new units. This argument is based on the overly simplistic economics-101 model of imposing a price ceiling on a perfectly competitive market. In reality, landlords have significant leverage over their tenants, enabling them to raise rents over and above what would be predicted by a well-functioning competitive market, which the rental market is not. This is especially true in a market marked by the growing dominance of financial actors in the housing sector-- 16% of housing stock is owned by real estate investment firms in NS compared to 10% in Ontario and 4% in BC.³ And rising rents are especially concerning in a market with such low vacancy rates; Halifax⁴, for example, has a vacancy rate of 1%, and the average rent increased by 8.9% in one year. In addition, only 3% of the rental units available are affordable to renter households in the lowest 20% of the income distribution (with annual income less than \$28,000). There is ample evidence that rent control can help keep rents affordable without creating a disincentive to build new units.

New housing construction doesn't simply decrease when rent control is introduced or increase when rent control is removed. Supply is affected by many factors, including demographics, land-use policy, other regulations, input costs and developer decisions made for profiteering, especially for large investors like Real Estate Investment Trusts (REITs). Of course, supply is also impacted by the will of governments to make significant and necessary investments in non-market housing, like public units. Many Canadian provinces have some form of rental increase control, and approximately 200 cities in the United States have rent control measures in place. The evidence shows that rent control does keep downward pressure on the cost of rent, promotes long-term tenure, and helps bring stability to neighbourhoods with less displacement of current residents.⁵



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The government needs to strengthen the current rent cap and not just extend it, while also making it permanent. Without rent control, the expectation is that tenants will have access to additional income or can cut back on other expenses to keep pace with increases in shelter costs. In reality, many Nova Scotians need help to afford their current rent and cannot afford any increase. The average worker has not seen wages keep pace with inflation, and many others, including income assistance recipients, have seen no increase. In 2020, at least 48,000 renters in Nova Scotians reported paying more than 30% of their income on shelter costs, leaving them vulnerable to losing their housing. That represents 35% of tenants. That number is likely higher today.

We recommend vacancy control, a form of rental cap increase tied to the unit instead of the lease, because it remains in place even when the tenant moves and thus removes the incentive to end the tenancy agreement. Under the current temporary program, landlords can find a reason to evict and then increase the rent as much as they want for new tenants. The province must also strengthen how illegal evictions are addressed by providing greater provincial investments in legal aid services and tenant organizations. Further, data need to be made publicly available on the number of evictions in the province, where they are happening, and for what causes.

Not addressing the problems with the current rent cap means that the additional \$8 million in rent supplements for 1000 more Nova Scotians (for a total of 8000) will only be as effective as your ability to control rental increases. Providing rental assistance without vacancy control will provide landlords with profit subsidies. It will not help those who need it the most because the current rental support program is tied to average market rent. The current rent supplement program only bridges the gap between 30% of a tenant's income and a cap of Average Market Rent (AMR). For those under the age of 58, the supplement covers the gap between 30% of their income and the AMR. Those who are 58 or older get a subsidy covering the gap between 30% of their income and 95% of AMR. Even if you are eligible for a rent supplement, obtaining affordable housing is a moving target, and even more so for older renters, given the less generous subsidy amounts they receive. Here are examples to illustrate following the rental supplement guide.⁶ If you are 30 years old, your monthly income is \$1000, and the AMR is \$859 because you are living in Dartmouth and renting a one-bedroom, your subsidy would be \$300 to bridge the gap between 30% of your income (\$559) and the AMR of \$859. If you are 58 or older, however, the subsidy would bridge the gap between 30% of your income (\$300) and 95% of AMR, \$816. The subsidy you would receive would be \$516. The AMR does not capture what people must pay in rent for available units, especially given the loopholes in the current rent cap. Consider that a two-bedroom unit occupied by a new tenant was, on average, 28% more expensive than one that did not turn over, pointing to the need for vacancy control.⁷



Recommendation: Institute permanent vacancy control by legislating how much a landlord can raise the rent every 12 months on an occupied or vacant residential unit based on the existing Annual Allowable Rent Increase for mobile home parks.

Specifically, Subsection 4(1) should be amended as follows: striking out the “two per cent” and substituting it with:

- (a) Until and including December 31, 2023, two percent:
- (b) As of January 1, 2024, and going forward, permanently cap a rental unit’s increase once every 12 months using the Annual Allowable Rent Increase formula: $(X + Y) \div 2$, where X = annual average percentage change for the Nova Scotia Consumer Price Index for the calendar year immediately before the year the AARIA is published by the Residential Tenancies Program and Y = annual average percentage change for the Consumer Price Index.

The legislation itself must spell out a specific percentage or a formula because it is crucial that it be up for debate and discussion in this forum.

Vacancy control is one tool.

Vacancy control is one tool that, if used effectively, can help support the security of tenure for tenants. The government should also implement a province-wide program of landlord licensing and inspections. Landlord licensing would prevent rental housing needing significant repair from being rented in the first place, and stop landlords from opting out of renting to subsidy recipients when repairs during a tenancy are requested. Beyond low vacancies, we know tenants face discrimination based on income source, interactions with the justice system, family type, and ethnicity, among other characteristics, again highlighting the need for greater tenant protection. Strengthening tenant protections in Nova Scotia would also bolster renters' security of tenure. What is most urgently needed is a substantial investment in supply-side responses that generate affordable rentals and especially nonmarket (cooperative, public, nonprofit) housing. Furthermore, addressing the financialization⁸ of housing supply is the main barrier to realizing housing as a human right.

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¹ Brooks Arenburg, P. *Rent control gone for good, N.S. government says* (Chronicle Herald, July 26, 2012). <http://www.thechronicleherald.ca/metro/121176-rent-control-gone-for-good-ns-government-says>

² The formula for calculating the AARIA is: $(X + Y) \div 2$, where X = annual average percentage change for the Nova Scotia Consumer Price Index for the calendar year immediately before the year the AARIA is published by the Residential Tenancies Program and Y = annual average percentage change for the Consumer Price Index for the calendar year immediately before the calendar year used for X. <https://beta.novascotia.ca/annual-allowable-rent-increase-amount-land-lease-communities-mobile-parks>

³ August, M. (2022.) *The financialization of housing in Canada: A summary report for the Office of the Federal Housing Advocate*. The Office of the Federal Housing, p.12. Advocate. <https://www.homelesshub.ca/sites/default/files/attachments/august-financialization-summary-report-ofha-en.pdf>

⁴ CMHC (January 2023). Rental Market Report for 2022. <https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/market-reports/rental-market-report/rental-market-report-2022-en.pdf?rev=2a0ed640-6c4c-435d-b13a-0faca94c0667>

⁵ Mason, J.W. (2019). *Why Rent Control Works*. <https://jacobinmag.com/2019/11/rent-control-housing-crisis-affordability-supply>

⁶ CMHC and Government of Nova Scotia. (2023, January). *Canada Nova Scotia Housing Benefit Renters Guide*. <https://housing.novascotia.ca/sites/default/files/CNSTHB-Renter-Guide-0123.pdf>

⁷ CMHC, OP.CIT.

⁸ August, M. (2022.) Op.Cit.