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**Item No. 7**  
**Halifax Regional Council**  
**December 15, 2020**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:**

Original Signed by 

Jacques Dubé, Chief Administrative Officer

**DATE:** November 30, 2020

**SUBJECT:** Rent Control Information

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### **INFORMATION REPORT**

#### **ORIGIN**

The purpose of this Information Report is to provide Regional Council with background information on rent control, along with the current situation in Halifax and Nova Scotia.

#### **LEGISLATIVE AUTHORITY**

HRM does not have legislative authority to implement rent control. The Province of Nova Scotia currently regulates rent under the *Residential Tenancies Act*.

#### **BACKGROUND**

##### **What is Rent Control**

Rent control is defined as a government program that regulates the amount charged for residential dwellings made available through rental agreements. Rent control laws limit the amount of rent a landlord can charge, either by setting a rent ceiling and/or by limiting rent increases. Limiting rent increases is also referred to as a rent stabilization policy<sup>1</sup>. Most rent control or rent stabilization policies also set rules for the conditions under which a landlord can evict a tenant.

Rent control is advocated by some as a mechanism to help mitigate the rental affordability challenge and make it easier for lower-income individuals and families to ensure they can find housing they can afford. In response to sharp increases in rental prices, imposing limits on rents would seem to be one tool to keep housing costs low for people who need affordable housing. However, rent control is a controversial issue with arguments for and against regulated rental markets. To date, there are no strategies or policies that resolve all challenges tenants, landlords, and housing developers face in a competitive rental market. Rent control or rent stabilization policies can vary on different dimensions:

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<sup>1</sup> <https://www.brookings.edu/research/what-does-economic-evidence-tell-us-about-the-effects-of-rent-control/>

- Regulation of rent level or rates of rent increases and how these levels or rates are set;
- Types of residential buildings or units subject to rent control, based on the age or size of the building, and, consequently, what share of the locality's rental stock is subject to rent control;
- Rules on rent changes upon a tenant vacating a rent-controlled unit (i.e., vacancy allowances/vacancy decontrol policies); and
- Eviction rules that outline the circumstances.

The variation in rent control and rent stabilization policies can influence the understanding of research on policy impacts and make it difficult to generalize specific findings to other existing and potential rent control policies<sup>2</sup>. Market conditions also matter when measuring the effects of rent control or rent stabilization, as does the length of time the law has been in place. Furthermore, rent control is one of many different forms of regulation that can impact housing supply and price, and sometimes it can be challenging to isolate rent control's impact. It is important to consider rent control, along with other policy tools, to increase the supply of affordable housing.

### Rationale for and against Rent Control

The basis of rent control is to provide tenants with greater security by protecting them from an unwarranted increase in monthly rent. Those in favour of rent control believe that without regulations, there is significant pressure on the rental market, which creates a more vulnerable low-income population. In 1998, the Ontario government eliminated rent control and the Canadian Centre for Policy Alternatives found that rental rates increased and options for low-income tenants were greatly reduced. As a result, the Ontario government reintroduced rent regulations<sup>3</sup>. Research in 2019 of US cities with rent control found it can lessen housing inequality by benefiting low-income households and act as an insurance policy against sharp drops in income, therefore providing a form of stability<sup>4</sup>.

The Canada Mortgage and Housing Corporation (CMHC) reviewed rent regulations in 1993 and concluded that there was no convincing evidence that rent regulations, as they existed in various provinces in Canada from the early 1970s through to the early 1990s, had significant long-term effects on rents, the construction of rental units, or vacancy rates<sup>5</sup>. A 2011 study of Manitoba's rent regulations found there was no evidence that Manitoba's program has a negative impact on the supply of rental accommodation, either in the conversion of existing units to condominium ownership, or in slowing the rate of construction of new rental units. Furthermore, there was no evidence that rent regulations contributed to deterioration in the quality of rental housing stock<sup>5</sup>.

Various economists have documented the disadvantages of rent regulation, primarily that rent regulation reduces the quantity and quality of rental accommodation. The argument that rent controls create poor quality housing is based on below-inflation rent controls that make it difficult for landlords to make necessary investments in repairs and maintenance, i.e. landlords do not have incentive to repair or renovate a building if they do not receive their return on investment through a rental increase. In a similar line of argument, limits on allowable rent increases create a disincentive to produce new rental housing stock. Long-term profitability and returns on investment are key factors on whether a developer decides to build new units<sup>3</sup>.

Opponents of rent regulation also argue that it adversely affects the needs of low-income tenants, and therefore rent control and rent stabilization policies do a poor job at targeting benefits. While some low-income families benefit from rent control, those most in need of housing assistance are not always the beneficiaries of rent control and such approaches generally do not create more economically and/or racially integrated neighborhoods<sup>3</sup>. Another argument against rent control is that it addresses a problem rooted in

<sup>2</sup> <https://www.nmhc.org/globalassets/knowledge-library/rent-control-literature-review-final2.pdf>

<sup>3</sup> [https://www.policyalternatives.ca/sites/default/files/uploads/publications/Manitoba\\_Pubs/2008/Rent\\_Control.pdf](https://www.policyalternatives.ca/sites/default/files/uploads/publications/Manitoba_Pubs/2008/Rent_Control.pdf)

<sup>4</sup> [https://papers.ssrn.com/sol3/Papers.cfm?abstract\\_id=3265918](https://papers.ssrn.com/sol3/Papers.cfm?abstract_id=3265918)

<sup>5</sup> [https://www.gov.mb.ca/cca/pubs/rental\\_report.pdf](https://www.gov.mb.ca/cca/pubs/rental_report.pdf)

regulations with more regulations. Housing cannot become more affordable without becoming more available<sup>6</sup>.

### Canadian Provinces with Rent Control

British Columbia, Ontario, Manitoba and Prince Edward Island have implemented rent controls to limit rent increases and address housing affordability issues. Provincial governments across Canada structure approaches based on preferences towards open or regulated rental markets. Policy decisions attempt to balance the same underlying conditions: affordable housing and the needs of the economy. Below is further information on the four Canadian provinces with rental control mandated through provincial legislation:

- **British Columbia<sup>7</sup>:**
  - o Maximum increase is based on the twelve-month average percentage change in Consumer Price Index for BC.
  - o Tenant must receive no less than three full months before the notice takes effect.
  - o Rent increases can occur only once in a twelve-month period.
- **Ontario<sup>8</sup>**
  - o Maximum increase is based on percentage change in the Consumer Price Index for Ontario.
  - o New buildings, additions to existing buildings and most new basement apartments that are occupied for the first time for residential purposes after November 15, 2018 are exempt from rent control.
  - o Rent increases occur once in a twelve-month period.
  - o Tenants receive 90 days' notice of rent increase.
- **Manitoba<sup>9</sup>**
  - o Maximum increase based on percentage change in the Consumer Price Index for Manitoba.
  - o If rent is above \$1570, the unit/property is exempt, as of December 31, 2020.
  - o A notice to increase rent must meet the requirements of *The Residential Tenancies Act*.
- **Prince Edward Island<sup>10</sup>**
  - o Consumer Price Index is a strong factor in allowable increase, but other factors considered.
  - o Allowable rent increases are set by the Island Regulatory and Appeals Commission.
  - o Rent increases occur once in a twelve-month period.
  - o Tenants receive 3 months' notice of rent increase.

All four provinces have established formulas for rent guideline increases that are based on the Consumer Price Index. Rent increases are tied to the tenant in three out of four provinces (British Columbia, Manitoba, and Ontario), which means that landlords can increase rent to any amount once a tenant vacates the property. Prince Edward Island is the exception where rental rates are tied to the property and not the tenant. In all four provinces, landlords are only permitted to increase rent once in a twelve-month period. They are also required to provide a minimum of 3 months' notice to tenants prior to the effective date of the rent increase.

### Provinces with No Rent Control

Alberta, Saskatchewan, Quebec, New Brunswick, Newfoundland, and all three territories (Nunavut, Northwest Territories, and Yukon) have no form of rent review. Landlords set the cost of rent based on

<sup>6</sup> <https://www.manhattan-institute.org/issues-2020-rent-control-does-not-make-housing-more-affordable>

<sup>7</sup> <https://www2.gov.bc.ca/gov/content/housing-tenancy/residential-tenancies/during-a-tenancy/rent-increases>

<sup>8</sup> <https://www.ontario.ca/page/residential-rent-increases>

<sup>9</sup> <https://www.gov.mb.ca/cca/rtb/rentincreaseguideline/currentrentguideline.html>

<sup>10</sup> <http://www.irac.pe.ca/rental/document.asp?f=rentincreases.asp>

market supply and demand, costs of maintenance, and return on investment. Many allow for free negotiation between landlords and tenants regarding rent increases. However, rent arbitration is available to settle disputes. Nova Scotia did not have any form of rent control until November 25, 2020, when the provincial government implemented a temporary rent control retroactive to September 1, 2020. The Nova Scotia approach is outlined further in the Discussion Section<sup>11</sup>.

### Rent Control in Other Jurisdictions

Oregon became the first US state to impose a statewide rent control policy in February 2019. The law caps rent hikes at 7% plus inflation during any given twelve-month period. Rent caps do not apply to buildings that are less than 15 years old or to government-subsidized rents<sup>12</sup>. Like Oregon, New York State recently strengthened and extended its rent regulations indefinitely. With the enactment of the Housing Stability and Tenant Protection Act (HSTPA) on June 14, 2019, any local government in New York State can enact rent stabilization<sup>13</sup>. In New York City, rent controlled apartments operate under the Maximum Base Rent (MBR) system.

As of January 1, 2020, California lawmakers limited annual rent increases statewide to 5% plus inflation. However, some local governments in California had rent control prior to January 2020 and their own rules still apply. For example, Los Angeles had rent control in place on buildings built and occupied before October 1, 1978, and those rules still apply. Their rent control is based on the annual rate of inflation and it cannot be lower than 3 percent or higher than 8 percent, with the current cap being 4 percent<sup>14</sup>. In cities without rent control laws, the state rules apply.

In Berlin, the state government recently introduced a five-year rent freeze, to be followed by a maximum rent increase of 1.3% a year. Tenants can also have their rent lowered should it exceed the cap set by the rent index. There are exemptions for new constructions, including social housing. This exemption is in place to ensure that supply doesn't fall. Investment in social housing is seen as a critical component of successful rent controls. Vienna, for example, has high quality social housing and invests in building and maintaining social housing alongside implementing rent controls. As a result, residents have access to good, affordable accommodation<sup>15</sup>.

## **DISCUSSION**

### **Nova Scotia Context**

In Nova Scotia, amid the rising unemployment and housing affordability concerns that have been exacerbated by the COVID-19 pandemic, a greater emphasis has been placed on the role of rent control in addressing housing affordability issues. While housing affordability has been a growing issue prior to COVID-19, the rental market has been further complicated by uncertainty caused by COVID-19. The short-term and long-term economic impacts are unknown. CMHC has indicated that the rental market may bounce back quickly as borders reopen, students return to post-secondary institutions, and workers regain employment and lost income. If the current restrictions continue, vacancy rates are expected to increase, and more short-term rentals may be converted to long-term rentals.

To address the impacts caused by COVID-19, the Province of Nova Scotia announced immediate protections ordered under the *Emergency Management Act*:

- rents cannot increase by more than two percent per year for existing tenants;

<sup>11</sup> <https://novascotia.ca/news/release/?id=20201125004>

<sup>12</sup> <https://www.oregon.gov/das/OEA/pages/rent-stabilization>

<sup>13</sup> <https://hcr.ny.gov/system/files/documents/2020/11/fact-sheet-01-09-2020.pdf>

<sup>14</sup> <https://dcba.lacounty.gov/rentstabilization-ordinance/>

<sup>15</sup> <https://bellacaledonia.org.uk/2020/11/27/what-can-scotland-learn-from-european-rent-controls/>

- landlords will not be able to get an eviction order for renovations.

These protections will be in place until February 1, 2022, or until the state of emergency is lifted. Rental increase protections are retroactive to September 1, 2020. The province is also creating the Nova Scotia Affordable Housing Commission. It will work with experts in the public, private, non-profit and academic sectors to make recommendations about affordable housing strategies and actions. HRM's Executive Director of Planning and Development has been named to the commission.

Rent control is not new to Nova Scotia. The *Rent Review Act* became law in 1975 and all rental increases were governed under the provisions of the Act. It came into effect because of the state of the economy in the 1970s. The Act was not formula based, but the annual standard allowable percentage increase was set based on a report the Department of Consumer Affairs received from a national accounting firm setting out a possible range for the guideline. In 1993, the provincial government exempted all classes of residential premises from the *Rent Review Act* under the *Residential Premises Exemption Regulations*, eliminating rent control.

### Halifax Context

One of the main issues facing Halifax is the vacancy rate, which is at an historic low. The 2020 data is not publicly available from CMHC, but the 2019 data indicated the vacancy rate continued to trend lower, down to 1% from 1.6% in 2018, and average rents increased as demand outpaced new rental supply<sup>16</sup>. Several factors are influencing the rental market, such as rental construction, employment, migration, owning vs. renting, and secondary rental markets like AirBnB. COVID-19 has impacted these variables and, in the short-term, this could increase rental supply faster in 2020 than observed in 2019 due to lower immigration, a decrease in out of province and international students, and lower employment / loss of working hours.

The low vacancy rate, and lack of affordable housing supply disproportionately affects indigenous, racialized and marginalized people in HRM. Despite significant investments by all levels of government, the number of residents experiencing homelessness in Halifax continues to rise. The Affordable Housing Association of Nova Scotia's (AHANS) December 1, 2020 count of homelessness by-name list in Halifax includes 492 residents, with 379 of those chronically unhoused. Of the 379 of people who are chronically unhoused, 106 are Indigenous and 85 are African Nova Scotian<sup>17</sup>.

### Role of HRM

The Province of Nova Scotia has jurisdiction over residential tenancies by virtue of their section 92 powers over property and civil rights in the *Constitution Act*. This power grants them the ability to enact rent control legislation. The province currently regulates rent under the *Residential Tenancies Act*. Except for land-lease communities, the *Residential Tenancies Act* does not have rent control provisions. The temporary protections the province announced on November 25, 2020 were made under the authority of the *Emergency Management Act*.

The Municipality does not have the authority to enact a by-law regulating rent control under the HRM *Charter*. Since HRM's ability to enact by-laws comes from the powers granted to the Municipality under the *Charter*, HRM would need to ask the province for legislative amendments to acquire powers to regulate rent control if it so desired.

As indicated earlier, rent control may not directly address issues associated with affordable housing because it does not create new units. However, rent control in combination with other policy tools can be used to increase the supply of affordable housing options. HRM has several affordable housing initiatives underway<sup>18</sup>. These include:

<sup>16</sup> <https://assets.cmhc-schl.gc.ca/sites/cmhc/data-research/publications-reports/rental-market-reports/2019/rental-market-reports-halifax>

<sup>17</sup> <https://www.ahans.ca/hrm-homelessness-statistics-2>

<sup>18</sup> <https://www.halifax.ca/sites/default/files/documents/city-hall/regional-council/201117rci04.pdf>

- **Density Bonus:** The HRM *Charter* enables the Municipality to use the incentive or bonus zoning (density bonus) planning tool to allow an increase in built area in exchange for public amenities or benefits.
- **Registration and Licensing of Residential Rental Units:** The registration and/or licensing of residential rental units will require all residential rental units within the municipality to be registered or licensed. This allows for more flexibility in ensuring buildings are compliant with rules and regulations including meeting minimum standards.
- **Policy and Regulatory Barriers:** HRM's various community plans and land use by-laws are inconsistent and complex and may be creating barriers to the types of affordable housing needed by key populations. Housing forms in need of review include:
  - Special Care Facilities / Supportive Housing;
  - Secondary Suites; and
  - Single Room Occupancies.
- **Municipal Funding Initiatives:** Government funding support for affordable housing developments is one of the most effective ways to reduce housing costs and increase the supply of affordable housing. While the Federal and Provincial governments play the leading role in providing funding incentives, many municipalities throughout Canada have implemented their own form of funding programs, such as waiving development fees or providing grants.
- **Surplus Municipal Land:** Government funding support for affordable housing developments is one of the most effective ways to reduce housing costs and increase the supply of affordable housing. Since land is often a great cost barrier to development, the use of surplus land is a key municipal contribution to the development of affordable housing.
- **Vulnerable Neighbourhoods:** HRM contains several neighbourhoods that are especially in need of affordable housing. In 2017, the Housing and Homelessness Partnership agreed to focus on homelessness and housing poverty solutions in the area known as "Between the Bridges" that encompasses Dartmouth North.

The last point worth noting on the impact of rent control for municipal governments is around property tax. While there is little research evidence on the relationship between rent control and local property tax revenue, a study in Cambridge, Massachusetts concluded that the city lost out on between five and 10 million dollars per year in property tax revenue as a result of lower property values induced by rent control. In New York City, a study estimated that there was a loss in taxable assessed property values attributable to rent control at approximately \$4 billion in the late 1980s, which meant that the city lost out on an estimated \$370 million annually in property tax revenue<sup>5</sup>.

### **FINANCIAL IMPLICATIONS**

There are no financial implications associated with this report, however, as noted above the amount of property tax revenue the municipality receives may be impacted with the recent rent control measures put in place by the provincial government.

### **COMMUNITY ENGAGEMENT**

There was no community engagement conducted for this report.

### **ATTACHMENTS**

None.

A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

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