

Press Release:

May 9, 2007

Rent Controls and Affordable Housing: A Landlord's Report

(Prepared By: Valden Palm)

I am a landlord. I am also a proud Albertan and Edmontonian. I was born and raised here. Landlords and property owners have been getting a lot of negative press lately (daily even) and in the interest of fairness, the media and government (particularly the opposition parties) need to hear the landlord side with equal time.

This media led and opposition party "landlord witch-hunt" is a smoke and mirrors grandstanding attempt to mislead the public through some key economic realities. Their creativity to solution stalls with "legislated rent controls". I have yet to hear a reasonable solution, or anything else come forward other than the "rent controls" cry that they draw like a gun.

Penalizing those who PROVIDE the rental properties does not generate more rental properties, or even maintain the current levels of inventory. If anything, it compels a liquidation process on a large scale. RENT CONTROLS DO NOT WORK!! They will CREATE more problems, rather than finding solutions.

Recent rental increases being experienced by some tenants are totally a *direct result* of the governments meddling attempts to interfere in the rental market. One or two isolated cases of panicking rent hiking landlords is certainly not the norm. Veteran landlords have been trying to introduce increases in a measured responsible manner easing changes into the marketplace, making the impact more manageable.

The recent rental market increases are being unfairly judged and inaccurately characterized as "gouging". (although that notion sells newspapers and makes a good lead story on the evening news). The bottom line fact is simply and profoundly this:

Properties cost more today than yesterday.

They cost more to buy, they cost more to build, they cost more to maintain, *they cost more!* Whether to buy or rent, they cost more. Like it or not, that is the basic fact of the matter. Yes rents have been rising at record rates, just as real estate prices have been rising at record rates. (I wonder if it has occurred to anyone that there may be a DIRECT correlation?) Is it too difficult to understand and grasp that if real estate costs 42% more from one year to the next and are *continuing to rise*, that it may "cost more in mortgage payments to continue to provide rental housing".

Let me ask you, does it make good sense for me to lay out my down payment, qualify for a new mortgage, and contribute monthly payments of hundreds of dollars per month above what I can collect in rent, to subsidize a renter in my property? I might as well keep my money and let the government worry about providing a place for someone to live. Why would or *should* I go through the hassle. It makes more business sense for me to sell my properties and take my money elsewhere. Should a significant number of property owners feel the same way, the current 2400 condo conversion units disappearing to sales would be dwarfed by existing rental units joining the fray with property owners selling rather than renting.

For the last many years, property owners have witnessed dramatically increasing operating and building costs with little or no increase in revenues (rents). There was no outcry during this time, even as some landlords went bankrupt or had to sell their properties to survive.

And what if the vacancy rates go up substantially in future years and rents have to be decreased (once again based on free market economics) or incentives have to be given by property owners to renters, as local landlords were doing just a couple of years ago, what will the government legislate? That tenants must pay higher rents than market because there is a 'Landlord Crisis' I think we all know the answer to this question, that legislation will never even be considered.

If rent controls are initiated, then you must control and eliminate ALL increases, and put caps on the following costs:

construction material costs, construction labour costs and *their salaries*, income taxes, provincial and federal taxes, property taxes, real estate costs, mortgage interest rates, all wages, eliminate and block immigration into Alberta (i.e. taxpayers), eliminate and block migration into Alberta from other provinces (i.e. more tax payers), etc.

I strongly and emphatically urge the government to hold fast and not cave-in to the daily attack to the free market rental environment. This FLAWED Bill 43 must be rescinded to allow the marketplace to return to a more manageable position for both landlord and renter.

If low income housing is truly a concern for this government AND opposition parties, provide the necessary tools of commerce, by way of tax breaks, or other incentives to bring developers and builders to the table. They need a reason to participate.

The answer, if the government wants to intervene, is to provide those who *truly do need our help* (low income Albertans who are renters) even if it is in the short term, with a direct monthly rent supplement that will allow them to find a safe and clean place to live, pay market value rents to the property owners while not negatively affecting the province's potential for new rental housing.

Again, it is important... no *critical* to the survival of the rental market, to work out solutions in a cooperative, innovative and positive spirit instead of legislating a misguided solution to the problem to be borne on the backs of **those who have been providing rental housing** for the municipalities of this province. Property owners, developers, and builders need a reason to participate. **Without their help and commerce, there IS no rental market.** Leave the rental market to find it's equilibrium, like it always does.

Sincerely,



Valden Palm
Landlord, Property Owner, Tax Payer

As a landlord and property owner in Edmonton, and the surrounding municipalities, Valden Palm has been providing superior property rental accommodation for over 10 years. To expand upon or hear more on the Rent Controls and Affordable Housing A Landlord's Side of this issue, he can be reached at 780-466-7784 or at email address vpalm@misterhomebuyer.com

What Else Can be Done?

In the spirit of innovation and entrepreneurial civic contribution, I feel it necessary to comment on a few other notable issues making the news and I offer them for consideration, as they are relevant to the fabric of this housing crisis.

Rising Property Taxes and Breaks For Seniors

To assist seniors on property taxes increases, I would propose a program of tax deferral. Seniors would be eligible to have 100% of their property taxes deferred to have their estate pay out the back owed property taxes when they die. The ever increasing equity in their home will be more than enough to pay for the back taxes when they have passed on. It eases the burden for them today, and does significantly impact the tax base as the taxes would be deferred, not eliminated. It would be similar to the reverse mortgage system, or even the RRSP forced savings plans.

Proposed 1% Property Purchase Tax To Fund Infrastructure Improvements

I see it to be a discriminatory position to burden the cost of infrastructure to housing sales transactions. All citizens benefit from the infrastructure improvements, not just those participating in a housing sale transaction. A .25% or even .5% increase across the board in property tax or the mill rate would be marginally felt by taxpayers, and would accomplish the accumulation of the needed funds.

Completion of Capital Municipal Projects

If municipalities are having problems with contractors even bidding on road repairs etc., consider a program of hiring companies from neighboring provinces. Call it a sharing in the prosperity of Alberta. Any “incentives” that one may offer would more than offset runaway costs on projects that our busy contractors are too busy to even quote on. Pay for companies to bring their equipment here on trains if need be, on a temporary basis. Is this not what would be done if a state of emergency were to be declared? Would not other provinces pitch in? Well, why not ask them to come? Make it worth their while to mobilize here, even if it is only temporary. Surely the costs we are currently faced with could be reduced by importing companies into Alberta on a seasonal part time basis, at least until our own companies could catch a breath. This could save millions of dollars to municipalities and do well to share our wealth with the rest of Canada. It is certainly more politically palatable than the large transfer payments that we make. At least they would participate in the making of the money generated in Alberta.

Government/Private Sector Joint Venture to Subsidized Housing

Why does the municipal and provincial government work with the private sector to put these projects together. Each could provide an offering of concession to make it happen. For example, a project could be built with the city contributing the land, the province funding the project with interest free loans or even a portion by way of grant, or the project could be exempt from tax. Or, tax could be on a yearly graduated scale. The amount of government contribution, lands and investment money, could be recaptured through a sale in a 10 year “co-operative partnership” period. If a number of these were to be built every year and staggered, there would be a recapturing of capital asset by the partners every year after year 11. Funds could be re-invested into the system so it becomes self-sustaining eventually. If necessary to maintain high standards, Capital Health could be the managerial advocate for these “Co-operative Projects”.