



Attention to:
LAW AMENDMENTS COMMITTEE

November 1, 2021

BILL 62: Impact statement Rent Control 2% on property owners

When reading through the proposed Bill 62 and the extension of rent control capped at 2% for the next two years, I kept asking myself “what could I possibly say or present to the Law Amendments Committee and its members that they have not already heard? What difference could I possibly make?”

After months of discussions, endless supply of logical explanations and statistics – Landlords are still faced with bearing the burden of governments and society’s failure to address housing issues.

The name “Landlord” has become a dirty word. We are depicted as being bad, slum landlords that do not care. But we do. And that is why I am writing to you today – I wish that I had the opportunity to personally appear before you this evening at the hearing but unfortunately all time slots were taken. I wish I had the chance to introduce myself and my company to you. I am one of many landlords, belonging to an industry of professionals, small and medium sized business owners – good people. Hardworking people. When Covid hit and shut everything down, when government agencies and organizations closed, and people went home - we did not. We go to work every day to ensure that our properties are maintained and kept safe for the tenants that live there.

I am a second-generation property owner and property manager. My daughter who now works with me, is the third generation of a family run business. My family has been operating and managing properties in the Metro area for over 35 years. Not only do we provide housing to others, but we also provide employment and create jobs in industries related to operating properties. Our properties generate thousands of tax dollars each year. We are utterly and completely dependent on successful apartment rentals, happy tenants and generating sufficient rental income to not only maintain our properties and pay all the costs, but also to feed our families and those of our employees.

I will give you a “simple” example of how the rent cap of 2% affects us financially by using 2 wood-frame buildings we manage in the Dartmouth area:

The average monthly rent for a two-bedroom apartment in both buildings is \$840 and includes heat and hot water.

The 2% rent cap means we are allowed to increase the monthly rent by \$16.80

Insurance costs have increased by 41% in the last 3 years or, on average, by \$1,855 annually. This equates to an insurance cost increase of \$6.44 per apartment per month.

Property taxes have increased by \$2,610 over the last year. This equates to a tax increase of \$9.06 per apartment per month.

The increase in both insurance and property taxes (\$15.50/month) alone eat up 92% of the \$16.80 we are permitted to increase the rent by. This leaves us \$1.30 per apartment per month to cover all other increases we have been subjected to ranging from utilities, materials and labor needed to service the properties and the needs of our tenants.

A rent cap of 2% is clearly not sustainable for landlords. We will be forced to make cuts to any costs that we can directly influence and control to pay for the ones that we cannot. What exactly does that mean and where would we be forced to make hard choices?

Apartment turnovers: On average, it costs approximately \$1,000 to prepare an apartment for re-rental. This covers a thorough cleaning and a complete unit painting. Rarely are we able to re-rent an apartment without doing anything to it. If there are damages, the costs will range anywhere between \$7,000 - \$10,000 to replace flooring, repair drywall damages, fix plumbing, unit painting and cleaning. If an apartment needs to be completely gutted and undergoes a full renovation, the cost can be as high as \$30,000 - \$35,000. These costs are paid out of operating cash flows a building generates.

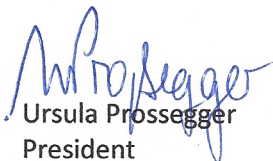
Under a 2% rent cap which does not even cover the increase in costs properties are subjected to and limits the amount of rent an apartment can command, Landlords will use operating cash flow and margins to first to pay for taxes, insurance, utilities, maintenance work mandated by law.

Subtracting approximately 60-70% for operating costs of older buildings as the above mentioned from the average \$840 monthly rent, a landlord will have anywhere between \$250-\$330 per apartment left over to pay for things such as apartment turnovers and that does not consider scenarios where tenants do not pay their rent. Using this oversimplified calculation, it will take 4 months to pay for a simple turnover and up to 120 months for a complete renovation.

Many of us have their life savings invested in these properties – under these conditions, why would anyone want to remain a landlord? It will become financially more viable for a landlord to keep an apartment that needs to be repaired for re-rental, off the market then to fix it up.

There are approximately 5,000 small landlords in Nova Scotia. If every one of those landlords were to keep only one apartment off the market because he/she cannot afford to fix it up for re-rental, this means 5,000 less places for people to call home. But even it was only 100 less, can Nova Scotia really afford to lose more housing in a housing crisis?

Sincerely,



Ursula Prosegger
President
Urchin Property Management Inc.