

Surprise and Shock: Report from the Legislative & Public Affairs Committee

I was hoping someday soon I would have good news to share about all our efforts for the removal of rent controls or raising the maximum allowable rent increase formula. What a surprise and shock your board received recently when we learned the maximum permitted rent increase for 2011 would only be 2.3%.

By way of background, your executive officer Marg Gordon made many pleadings to government MLAs and a number of their deputies, submitting detailed analysis from our empirical studies that showed the previous year's rent increase of 3.2% was far below our own increased operating costs, especially with the added burden of the Harmonized Sales Tax (HST).

Our voice may have been listened to but so far there is no positive news. The argument we keep hearing from the regulators is that the BC cost of living is only going up marginally so rental apartment owners need only a miniscule increase.

Let us state the facts to support our position that 2.3% is a ridiculously low rate of increase for 2011.

The government insists on using the Consumer Price Index (CPI) which is completely irrelevant to our rental housing market. From the report submitted to Government prepared by our consultants, Burgess, Cawley, Sullivan, the items on the CPI Weighting schedule are as follows:

Item	CPI Weighting
Food	17.15%
Shelter	27.05%
Household operations, furnishings & equipment	10.68%
Clothing & footwear	5.06%
Transportation	19.40%
Health & personal care	4.81%
Recreation, education & reading	12.46%
Alcoholic beverages & tobacco products	3.41%
Total:	100.00%

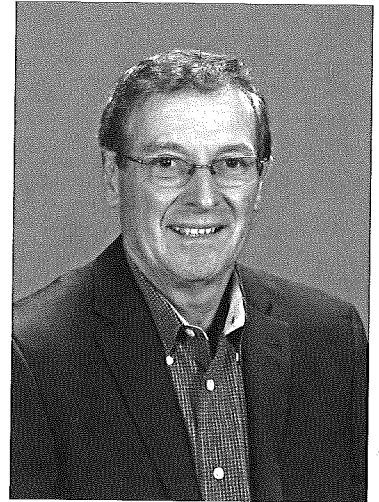
The items listed are not significantly relevant to the operation of a rental apartment building. Break the shelter component down to individual cost items and only 8.6% of the total CPI is applicable to our industry. The cost components which do apply to our business, such as property taxes, utilities, insurance and maintenance, represent 65.8% of a typical apartment building's operating expenses, yet only 8.6% are found in the CPI basket of goods

We have argued that our operating costs including property taxes and utilities have increased at a rate much higher than CPI plus 2% as set out in the regulation. Many of the CPI components have not increased in the past few years, resulting in the negligible increase in their basket of goods index.

Is it possible that using the present basket of goods in the CPI enables governments to borrow more money at lower interest rates due to low inflation rates? Interesting.

We keep hammering away at regulators, sharing with them the independent studies we have received that clearly state that the present CPI formula is not applicable to the cost of operating a rental apartment property. The HST has also made our situation worse by at least another 1.5 to 3%.

If we are being denied what we believe is a fairly desperate measure to increase annual rents, what will happen to the physical condition of our rental housing stock? Not only do we need a fair annual rent increase based on actual cost of operation, there is still no rent recovery process for major repairs to our ageing rental stock. ☹



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