A letter from the FMTA

On the topic of rent controls, there is much disagreement.

Doubters, supported by a chorus of classical economists, claim that it’s bad in theory and that there’s little empirical evidence to support it in practice. Due to their alleged impact on the supply of housing and the maintenance of buildings, in 2012 the Adam Smith Institute’s executive director described rent controls as “probably the most unambiguously awful policy ever to be tried in modern western democracy”. Other critics employ a well-known and evocative quote from the economist Assar Lindbeck: “In many cases rent control appears to be the most efficient technique presently known to destroy a city—except for bombing.”

By contrast, tenants and their advocates have long claimed that rent controls are crucial for tenants’ ability to keep their housing stable and affordable. I know this because, as the executive director of the Federation of Metro Tenants’ Association, I hear about it every day. As a tenant rights agency, we help tenants in crisis understand and exercise their rights. Through our telephone hotline service alone, every year the FMTA helps about 10,000 individual tenants.

Time and time again, our clients tell us about the destabilizing impact sudden increases in rent have on their lives. Our experience has taught us that regulations that balance the power landlords hold over tenants are essential in order to create living conditions with the dignity and security that everyone deserves.

Ironically, Adam Smith hated landlords. He called them indolent monopolists, and argued that a landlord’s rents were set not by “what the landlord may have laid out upon the improvement of the land, or to what he can afford to take” but purely by what his tenants can afford to give. In turn, this indolence, which is the natural outcome of the ease and security of their circumstance, “renders them too often, not only ignorant, but incapable of that application of mind which is necessary in order to foresee and understand the consequences of any public regulation”.

In Ontario rent control has a varied and wild history. Introduced in 1944 under the National Housing Act, and then repealed after industry lobbying a decade later, it was reintroduced in 1975, a year after the FMTA was founded. It went through several changes over the next 2 decades, though far from destroying the city – our rental buildings seemed to remain standing. Then came the Mike Harris years. In 1997, the Ontario Progressive Conservative government gutted the rent regulation system, ensuring that all units built after 1991 had no rent control.

At the time, Allan Leach, the Minister of Municipal Affairs and Housing, said that ending rent regulation “improved” the “seriously flawed system” of rent control and that the decision would have “thousands and thousands of more units built.” Real estate investment trusts multiplied to benefit from the new profit opportunities – and rents and evictions soared. Meanwhile, our new rental housing construction flat lined. The extra thousands and thousands of units never materialized.

In 2017, the Ontario Liberal government finally ended the rent control exemptions and brought all Ontario renters under the same system of rent control. Predictably, the same arguments were trotted out. As journalist Tannara Yelland wrote, the landlord lobby started “wailing to every reporter and politician who will listen about the danger it poses not to their profit margins,” and to rental housing development. Yet rental housing development surged. According to real estate consulting firm Urbanation, “New purpose-built rental construction surged in Q2 [2018], … raising the total inventory under construction to 11,073 units — the highest in at least 30 years.”

So, what is the effect of rent control and what does it do?

The following paper, put together by Phillip Mendonça-Vieira, helps to shed some light on the history and impact of rent control in Ontario. It’s a comprehensive sweep that starts with the empirical evidence at our disposal and aims to have a serious discussion about the benefits, drawbacks and impact of rent control in a holistic factor – from the supply of rental housing to the physical and mental health of tenants. As Phillip shows, rent regulations can be designed sustainably and are not contrary to the existence and operation of rental buildings. Moreover, the security of tenure they provide are essential for the well-being of our communities.

We hope this report helps to counter the ample lobbyist spin around rent control and to keep rent control in the basket of viable policy options that help people in their living situations.

Federation of Metro Tenants’ Association