



Rent Control in Nova Scotia

JURISDICTIONAL SCAN: BRIEFING EXCERPT

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Executive Summary

The goal of this report is to examine rent control policies that are currently in place across Canada and Oregon. It identifies seven rent control options and alternatives that are utilized by various jurisdictions to balance the needs of stakeholders and the economy. Three of these policies are tied to traditional rent control practices, three provide alternatives to rent control, and one is related to COVID-19 rent-relief measures.

The term *rent control* is defined as a government program that regulates the amount charged for residential dwellings made available through rental agreements. The goal of rent control policies and strategies are to ensure that the cost of housing remains affordable for all citizens, including low- and moderate-income households.

Rent control is a controversial issue with strong 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. 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.

The rental market is further complicated by uncertainty regarding the outcomes of the COVID-19 pandemic. The short-term and long-term economic impacts are unknown. 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, short-term rentals may be converted to long-term rentals, and international and interprovincial migration rates may drop significantly.

The Rental Market in Nova Scotia

The Nova Scotia rental market is complex. Economic, social, and political variables vary greatly across the province and strategies that are appropriate for one community are unfit for others. Conversations with analysts working in various departments across the Government of Nova Scotia, along with those based in Residential Tenancies Units in all jurisdictions across Canada, suggested that effective and sustainable rent control policies or alternatives rely on long-term horizontal and vertical collaborations.

Multiple government departments at the municipal, provincial, and federal level, along with NGOs and businesses in the private sector, work with the same stakeholders to provide occupancy permits, funding for affordable housing programs, and support for low- and moderate-income households. All of these groups work in silos and hold valuable information about stakeholders' needs that must be exchanged before sustainable programs and policies can be developed within the province.

At the present time, research and initiatives are underway within the Government of Nova Scotia to examine issues related to rent control and affordable housing. For example, the Department of Municipal Affairs and Housing is gathering data and studying the impact of short-term rentals on the overall rental market. The study will provide evidence-based findings that can inform rent control options in Nova Scotia. Similarly, in most provinces across the country, the equivalents of the Department of Municipal Affairs and Housing or the Department of Community Service lead programs that support affordable housing options or supplements. These programs are rarely offered by Residential Tenancies Units.

Stakeholders' Views on Rent Control in Nova Scotia

Tenants, landlords, developers, and advocates across Nova Scotia have a range of views regarding rent control options and alternatives. Advocates in favor of regulated markets suggest that rent control protects

renters from unwarranted increases, protects vulnerable tenants, and stabilizes neighborhoods. Advocates opposed to rent control suggest that landlords may struggle to cover the cost of property repairs, renovations, and maintenance, developers may be inclined to build condominiums as opposed to apartments due to greater return on investment, and affluent households hoard rent-controlled units.

Conclusion

Decisions regarding affordable housing are complex and rely on a balance between social and economic needs in a jurisdiction. There is not one solution that perfectly addresses the factors contributing to a national housing crisis and the needs of the economy.

Table of Contents

SUMMARY OF THE CURRENT MARKET AND RENT CONTROL LANDSCAPE IN NOVA SCOTIA AND CANADA	4
RENT CONTROL AND POLICY ALTERNATIVES	10
<i>Policy 1: Portable Housing Benefits</i>	<i>10</i>
<i>Policy 2: Rental Housing Construction Tax Credit</i>	<i>12</i>
<i>Policy 3: Rental Housing Working Groups</i>	<i>14</i>
<i>Policy 4: Rent Control - High Rental Increase Cap</i>	<i>15</i>
<i>Policy 5: Rent Control - Rent Increases are Tied to the Tenant</i>	<i>16</i>
<i>Policy 6: Rent Control - Vacancy Control and Rental Registry Databases</i>	<i>17</i>
<i>COVID-19 Rent Relief Initiatives</i>	<i>18</i>
APPENDIX A: HISTORY OF RENT CONTROL IN NOVA SCOTIA	20
APPENDIX B: RESIDENTIAL TENANCY LANDSCAPE IN NOVA SCOTIA	21
APPENDIX C: RENT CONTROL IN A POST-COVID-19 MARKET	23
APPENDIX D: STAKEHOLDERS’ PERSPECTIVES ON RENT CONTROL	24
APPENDIX E: JURISDICTIONAL SCAN, RENT CONTROL ACROSS CANADA	26
APPENDIX F: JURISDICTIONAL SCAN, OREGON	41

SUMMARY OF THE CURRENT MARKET AND RENT CONTROL LANDSCAPE IN NOVA SCOTIA AND CANADA

Topic:

An examination of rent control policies or strategies that are currently in place across Canada and Oregon.

Issue:

The term *rent control* is defined as a government program that regulates the amount charged for residential dwellings made available through rental agreements. The goal of rent control policies and strategies are to ensure that the cost of housing remains affordable for all citizens, including low- and moderate-income households.

Jurisdictions across Canada work to provide rental housing in the midst of low vacancy rates, stagnant wages, international and interprovincial migration, an aging population living on fixed incomes, and the growth of short-term rental services. The country is also facing a recession caused by the economic impact of the COVID-19 health crisis, which puts additional strain on household budgets. In circumstances such as these, governments may consider rent control policies, alternatives to legislated rent control, or strategies to regulate the market.

Regardless of the economic, social, and political factors that impact rental markets, the topic of rent control is controversial. While it can protect tenants from unsustainable rent increases and stabilize neighborhoods, it can also detour developers from building rental properties, lead to poor quality housing, or place landlords in tight financial positions.

As Nova Scotia emerges from the COVID-19 health crisis and the eviction moratorium is lifted, the Residential Tenancies Office at Service Nova Scotia and Internal Services (SNS-IS) anticipates questions regarding possible rent control strategies.

Background:

Rent Control Legislation in Nova Scotia

In the 1970s, oil prices quadrupled and had extreme economic impacts. The inflation rate in Canada doubled and mandatory wage and price guidelines were introduced by the Federal Government. As part of the strategy, all provinces established rent review schemes.

In Nova Scotia, the *Rent Review Act* governed rent increases. It functioned in the following ways:

- Cabinet set the percentage guideline that was based on a report provided by a national accounting firm provided a range for the guideline.
- Rents could increase once within a 12-month period. Tenants had 3 months of notice and landlords filed a copy of the notice with the Department of Consumer Affairs (DCA).
- Rent increases that exceeded the percentage guideline were subject to review by the DCA.

In 1993, the Liberal government passed an [order in council](#) that exempted all classes of residential premises from the *Rent Review Act*. The province argued the exemption would save \$500,000 a year, which would be reallocated toward programs to help the working poor. The vacancy rate of 7.1% on the peninsula and 12% in Dartmouth was determined a means to keep landlords from raising rents.

Stakeholders and political parties such as ACORN and the New Democratic Party (NDP) have called on the government to introduce rent control. [In the report](#) “State of Renters During COVID-19”, ACORN asked the government to “mandate full rent control, including vacancy control, immediately and to

continue after COVID-19.” In 2018, the NDP also introduced legislation entitled [“Rental Fairness and Affordability Act”](#) which aimed to restrict rent increases to 0.8% in the first year. [The legislation](#) would have allowed for landlords to apply for increases over the guideline if there were extraordinary increases in municipal taxes, cost of utilities or investments made to the property.

At the present time, rental rates in Nova Scotia continue to be set by market conditions.

For more information about rent control legislation in Nova Scotia, please see [Appendix A](#).

Current Rental Market in Nova Scotia

The vacancy rate in Nova Scotia is at a historic low. The [Canadian Mortgage and Housing Corporation](#) reports that the vacancy rate hit 1% in 2019, versus 1.6% in 2018. Data from SNS-IS indicates that in Halifax, the vacancy rate dropped to 0.9% in 2019.

During the same period, the average rent increase reflects the demands placed on the market by a low vacancy rate. In 2018, rent costs increased by 1.9% across the province. The following year, it jumped by 3.6% across the province and 3.7% in Halifax. The rent increase surpassed the Consumer Price Index increase for this period (1.6% in Nova Scotia; 1.5% in Halifax).

A number of factors are influencing the rental market in Nova Scotia, and it is expected that they will continue to shape the market over the next five years. They include the following variables:

- **Market Supply.** New apartment supply is not coming onto the market fast enough to offset increased demand.
- **Household Income.** Approximately 20% of households spend over 50% of their income on rent and utilities, an amount that is unsustainable long-term.
- **Employment Rates.** Job growth and a declining unemployment rate diminish interprovincial outflows and retain international migrants in the province.
- **Immigration.** Nova Scotia’s population increased by 1% due to international immigration.
- **Interprovincial Migration.** The province has seen net interprovincial migration growth for three consecutive years.
- **Aging Population.** The number of renters aged 55 and over in Nova Scotia increased by 16% between the 2011 and 2016 census. It is likely that demand from this downsizing market will remain strong as homes continue to sell quickly, enabling individuals to make the move into rental accommodations.
- **Renovictions.** Affordable housing stock is being renovated and advertised at market rates. Many tenants are evicted during the renovation process or not provided with the right of first refusal.
- **Short-Term Rentals.** Services such as AirBnB rentals have reduced housing stock available to long-term tenants, which can also drive up the cost of rent in a competitive market.

The Department of Municipal Affairs and Housing is conducting a study to measure the impact of short-term rentals on the rental market. Currently, there is little data available and most working knowledge of the short-term rental market is based on anecdotal information.

For more information about the rental market in Nova Scotia, please see [Appendix B](#).

Impacts of the COVID-19 Pandemic on the Rental Market

The pandemic has put additional pressure on tenants and increased calls for rent control. In April 2020, ACORN conducted [a survey](#) and found that almost 35% of renters did not have the funds to cover the cost of rent on May 1, 2020, and another 20% were “extremely worried” about their ability to pay rent.

[In the same report](#), ACORN called on the provincial government to mandate rent control after COVID-19. Similarly, the NDP and ACORN issued a [joint statement](#), requesting that the government freeze all rental increases during the state of emergency.

Despite the requests for rent control policies, there is still a great deal of uncertainty regarding the full impact of the pandemic on the rental market. A number of factors may contribute to a higher vacancy rates over the coming 12 months. They include the following variables:

- **Border Closures.** Immigration has slowed, affecting the rental industry in urban centers. However, the Canadian Government predicts a spike in the number of permanent and temporary residents once restrictions are lifted.
- **University Campus Closures.** Many post-secondary institutions closed campuses in the spring and students returned to family homes. Universities in Nova Scotia have announced that classes will be online during the Fall 2020 semester and students may not require rental housing during the upcoming academic year.
- **Unemployment.** Many businesses permanently closed during the first wave of COVID-19 and it is unclear how a second wave may affect the economy. If employment is sparse, there may be a reduced demand for rental units.
- **Tourism Industry.** The closure of borders impacts the tourism industry across the province. As the demand for AirBnBs declines, landlords may convert short-term rentals into long-term rentals to receive a return on investment. This would increase market supply.

As mentioned above, The Department of Municipal Affairs and Housing is working on an evidence-based study to measure the impact of short-term rentals on the rental market in the province.

For more information about COVID-19 and the rental market in Nova Scotia, please see [Appendix C](#).

Perspectives of Stakeholders in Nova Scotia:

Advocates for Rent Control

- Provides tenants with security by protecting them from an unwarranted increase in monthly rent.
- A lack of regulation puts significant pressure on the rental market and creates a more vulnerable low-income population.
- Advocates argue that there is no evidence to suggest that rent control causes lower quality housing stock or affects vacancy rates. Most agree that rent regulations should not interfere with a landlord’s claim to an adequate rate of return on investment.
- Stabilizes neighborhoods because renters stay in one location over a longer period of time.
- Prevents displacement of vulnerable individuals.

Advocates against Rent Control

- Property owners and economists argue that rent control creates poor quality housing, leads to housing shortages, and does little to reduce poverty.
- Below-inflation rent controls make it difficult for landlords to make necessary investments in repairs, renovations, and maintenance.
- Limits on allowable rent increases create a disincentive to produce new rental housing stock by creating large opportunity costs for builders and developers. Developers have much greater opportunity to maximize returns on their investment in properties that generate revenue based on market pricing (e.g. sales of single-family homes and condominiums).
- While branded as a poverty reduction tool, some say rent control fails to address the needs of low-income tenants. The beneficiaries are affluent households who hoard rent-controlled units and prevent lower-income and more vulnerable tenants from accessing lower-rent housing.

For more information about stakeholders in Nova Scotia, please see [Appendix D](#).

Current Requirement:

There are no rent control policies in Nova Scotia. Rental rates are set in accordance with market conditions. The *Residential Tenancies Act* does not restrict the amount by which landlords may increase rental amounts, but it does specify that landlords may only give tenants one rental increase in a 12-month period. Tenants must be advised of rental increases 4 months in advance.

Jurisdictional Research Summary:

Across Canada, rent control is a controversial issue and governments structure their approaches based on a preference towards an open or regulated rental market. Regardless of the approach, all decisions are an attempt to balance the same underlying conditions: affordable housing and needs of the economy.

Province/Territory	Rent Control	Details
BC	Yes	<ul style="list-style-type: none"> • Maximum increase: 12-month average % change in CPI for British Columbia • Rent increases occur one in a 12-month period • Tenant receives 3 months' notice of the rent increase • Tenant does not have to pay an increase that is higher than the amount allowed by law • Rent increase rests with the tenant
AB	No	<ul style="list-style-type: none"> • Rent increases are not regulated • Rent increases occur once in a 12-month period • Tenant receives 3 months' notice of the rent increase • Tenant does not have to pay the increase if proper notification was not provided
SK	No	<ul style="list-style-type: none"> • Rent increases are not regulated • Rent increases occur once every 12 months if landlord is not a member of SKLA and once every 6 months if landlord is a member of SKLA • Tenant receives 2 months' notice of the rent increase • Increase does not take effect until the tenant has received proper notice
MB	Yes	<ul style="list-style-type: none"> • Maximum increase: Based on % change in the CPI for Manitoba • Exemptions: If rent is over \$1,545, the unit/property is exempt from rent control policies • Properties with 3 units and less are exempt from rent control policies • Landlord can apply for guideline increase • Rent increase rests with the tenant
ON	Yes	<ul style="list-style-type: none"> • Maximum increase: Based on % change in the CPI for Ontario • Exemptions: New residences built after November 2018 are exempt • Rent increase rests with tenant • Rent increases occur once in a 12-month period • Tenants receive 3 months' notice of rent increase • Landlords can apply for guideline increase
QE	No	<ul style="list-style-type: none"> • No limit on the rent increase landlords may request • The government provides a calculation tool that the landlord may use to enter data pertaining to the building and submits results to the tenant • The landlord and tenant agree on the rent increase amount • If tenant and landlord cannot agree on a rent increase, the Tenancy Board will set rent

NB	No	<ul style="list-style-type: none"> Rent increases are not regulated Landlords may increase rent at any time during the tenancy with proper notice (2 months for week to week/month to month tenancy; 3 months for year to year/fixed term tenancy)
NS	No	<ul style="list-style-type: none"> Rent increases are not regulated Rent increases occur one in a 12-month period Tenants receive 4 months' notice of rent increase (yearly lease); Notice of rent increase is set in the lease agreement (fixed term lease)
NF	No	<ul style="list-style-type: none"> Rent increases are not regulated Rent increases occur one in a 12-month period Tenants receive 2 months' notice for week to week tenancies and 6 months' notice for month to month or fixed term tenancies
PE	Yes	<ul style="list-style-type: none"> CPI is a strong factor in allowable increase, but other factors considered Allowable rent increases are set by the Island Regulatory and Appeals Commission Rent increases occur once in a 12-month period Tenants receive 3 months' notice of rent increase Landlords can apply for guideline increase Rental rate rests with unit, does not reset with new tenant
NU	No	<ul style="list-style-type: none"> Rent increases are not regulated Rent increases occur one in a 12-month period Tenant receives 3 months' notice of the rent increase
NW	No	<ul style="list-style-type: none"> Rent increases are not regulated Rent increases occur one in a 12-month period Tenant receives 3 months' notice of the rent increase
YU	No	<ul style="list-style-type: none"> Rent increases are not regulated Rent increases are not permitted during the first year of tenancy Tenant receives 3 months' notice of the rent increase

Regulated Rental Markets

Today, four out of ten provinces (British Columbia, Manitoba, Ontario, and Prince Edward Island) have regulated the rental market through legislation that establishes rent control. These policies have been established to support low- and moderate-income households in the midst of a housing crisis due to low vacancy rates and increases in the cost of living.

The abovementioned provinces have established formulas for rent guideline increases that are based on the Consumer Price Index (CPI). Rent increases are tied to the tenant in three out of four provinces (British Columbia, Manitoba, and Ontario), meaning that landlords can increase rent to any amount once a tenant vacates the property. Prince Edward Island is the exception; rental rates are tied to the property, not the tenant.

In Manitoba, any property that has a rental value of over \$1,545 is exempt from rent control regulations. Similarly, in Ontario, any property that was built after November 2018 is exempt. In all four provinces, landlords may apply for rent increases that are above the guideline to recover the cost of maintenance, renovations, property taxes, utilities, and so on.

In all four provinces, landlords are only permitted to increase rent once in a 12-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.

Open Rental Markets

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

Despite the fact that rent increases are unregulated, provinces have legislation in place to protect tenants and provide fair notice. For example, landlords are only permitted to increase rent once in a 12-month period and must provide tenants with notice.

Regardless of provinces' stance on regulated or open rental markets, all provide support to low income or vulnerable tenants. For example, Alberta created the Community Housing Program, which provides subsidized rental housing to low-income families, seniors, and individuals who cannot afford other housing options. Through the program, a tenant's rent is based on 30% of the household's total income. Local housing providers are assigned the responsibility of program management and tenant selection.

For more information about rent control policies and strategies in Canada, please see [Appendix E](#).

Discussions with Policy Analysts and Residential Tenancies Units Across Canada

SNS-IS reached out to managers and policy analysts working in Residential Tenancies departments based in all ten provinces and three territories. The findings supported what was previously reported in this paper: decisions are largely based on the provincial government's preference towards open or regulated rental markets. In all jurisdictions, approaches attempt to balance the needs of tenants, landlords, and developers, along with rental market conditions.

When asked about innovative approaches or alternative strategies to rent control policies, jurisdictions did not have information available. However, when comparing the results, SNS-IS did notice several programs that were unique. For example, British Columbia, Ontario, and Manitoba provide rental assistance directly to the tenant as opposed to the landlord. This provides tenants with greater autonomy over their household budgets and may provide greater housing options, as landlords do not have to opt into the program.

The discussions also revealed that most programs providing housing benefits, access to affordable housing, or financial aid are administered by municipalities or provincial departments that work specifically with housing and social services. These would be the equivalent of the Department of Community Services and the Department of Municipal Affairs and Housing in Nova Scotia.

Conclusions

Decisions regarding affordable housing are complex and rely on a balance between social and economic needs in a jurisdiction. There is not one solution that perfectly addresses the factors contributing to a national housing crisis and the needs of the economy.

The current landscape is further complicated by uncertainty regarding the outcomes of the COVID-19 pandemic. The short-term and long-term economic impacts are unknown. The rental market may bounce back quickly as borders reopen, students return to post-secondary institutions, and professionals regain employment and lost income. However, if the current restrictions continue, vacancy rates are expected to increase, short-term rentals will become less lucrative and likely converted to long-term rentals, and international and interprovincial migration rates may drop significantly.