Ending double taxation part of solution to rent issue

By John Wishart

New Brunswick has experienced an unprecedented shift in its housing market over the past year as single-family home prices increased by one-third in many communities and tenants reported significant rent hikes.

This led to a call by tenant rights' advocates for government to introduce rent controls. The provincial government responded last month with changes that give the Residential Tenancies Tribunal broader powers and tenants more time to appeal exorbitant increases. These changes stopped short of rent caps.

Tenants feel short-changed and landlords feel long ignored with structural issues that prevent them from keeping rent increases low. What is the best path forward that protects tenants in the short-term while giving landlords room to increase supply and moderate rents in the long-term?

There are deep philosophical fissures in the rent controversy. As UNB economist Herb Emery stated in a commentary published last week, it often is seen as a moral vs. evidence debate.

Every person deserves safe, affordable housing. Landlords who took the financial risk to provide that housing deserve conditions in which they can supply those units at a reasonable cost. Despite the stories about huge, $600 per month rent increases that do not seem based on evidence, the vast majority of landlords in New Brunswick are reputable and fair. Tenants are their customers; they want them to remain customers at a rate that is fair to renters and landlords.

As Emery wrote last week, rent control makes little sense in a competitive market since it dampens the market signal to increase the housing supply. Government does have the power to lower barriers to building more affordable units while also using its spending powers to protect the vulnerable against short-term price increases while the market adjusts.

Willy Scholten, president of the New Brunswick Apartment Owners Association, recently presented compelling evidence that explains why rents are increasing. That evidence also suggests how government ending the so-called 'double tax' on non-owner-occupied dwellings can both moderate rents and lead to more supply.

Landlords are facing double-digit increases in insurance, water and sewer, electricity, and maintenance costs, according to Scholten. But the biggest hit has been property tax assessments which are increasing on average at least 20 per cent this year. While private residences have seen similar increases, the province has a 10 per cent spike protection cap. Apartment owners face the full assessment hikes.

According to the Apartment Owners Association, New Brunswick landlords face the highest property taxes in Canada. Taxes on rental properties are 189 per cent higher than the other three Atlantic Provinces and 308 per cent higher than the rest of Canada.

The apartment tax rate in New Brunswick's three largest cities in 2021 ranged between $2.55 to $2.91 per $100 of assessed value. The rate in Halifax is $1.89, in St. John's $0.77 and in Charlottetown $1.91. Rates are even lower in larger cities across the countries such as Calgary, Winnipeg, Ottawa, Toronto, and Montreal.

Finance Minister Ernie Steeves announced a four-year, 50 per cent decrease in the double-tax in his 2020-2021 budget but two months later, amid fears of a sizeable budget deficit due to COVID-19, government scrapped the plan.

Thanks partly to federal transfers and partly to higher-than-expected provincial tax revenues, New Brunswick's finances are markedly better than those spring, 2020 projections. The 2020-2021 budget year ended with a $408 million surplus and last month, Steeves indicated the province was heading to another substantial surplus in fiscal 2021-2022 instead of the $245 million deficit he had projected on budget day.

This will be the fourth consecutive budget surplus in New Brunswick after years of budget deficits. We have consistently lobbied for balanced budgets and paying down our $13.4 billion provincial debt, but we urge the government to consider legislative changes and targeted spending to address the issue of rent affordability and the double-tax.

There are many competing needs for government spending – the beleaguered health-care system, union wage demands, crumbling infrastructure. But government now has the capacity to return to its promise to end the double-tax. The Higgs' government should reintroduce a plan to end this regressive tax policy in its 2022-2023 budget.

Doing so will make a real difference in housing supply, moderate rent increases and lead to the economic growth that will help us pay for those programs that help the vulnerable withstand the market shifts we have seen over the past year.

- *John Wishart is Chief Executive Officer of the Chamber of Commerce for Greater Moncton. His column appears monthly.*