

Martha's Monthly
June 2007
Deal or No Deal in Alberta's rental-housing market

Martha has a secret; she loves to watch the hit game show "Deal or No Deal". Now, Martha is no gambler ("I'm too cheap", she says) and she is no fan of TV shows designed to glorify money and women's bodies in the same breath, but Deal or No Deal is oddly fascinating. Martha especially loves to watch it with six year olds. Six year olds can be taught the basics of the game in a few minutes and Martha has noted that six year olds seem particularly adept at making the decision as to when to quit (take the banker's offer) and when to gamble onward. The Deal or No Deal participants, on the other hand, seem, frankly, innumerate and quite incapable of making good decisions about the odds that their suitcase actually holds the million dollars. "Magical thinking" announces Martha while she watches the show. "This is the effect of magical thinking. Just your BELIEF that you have the million dollar suitcase does not change the heavy odds that you DO NOT!" Henry nods and offers to mow the lawn.

Alberta's Premier Ed Stelmach and his Cabinet have been indulging in some magical thinking themselves lately. Because they BELIEVE that rent control is bad and the market will be the saviour they choose to overlook the overwhelming evidence to the contrary. The government has refused, despite all the proof that rents are out of control and the market is not working, to cap rental increases to protect those who are at the mercy of landlords. The Alberta government continues to believe that the market will beat the odds. But the market simply can't produce enough supply to deal with demand right now. Markets work when what is being sold can be produced quickly or is something one can choose not to buy today. Think about your morning coffee. If you want to buy at Timmie's you can. If there is a lot of demand they make more coffee. It takes a few minutes. If there is less demand one day then they make less coffee. If the cost to buy your morning coffee is too high you can choose not to have your morning coffee. But when the product is housing it takes a lot longer for the supply to meet the demand and you just cannot wait for a better price when you need housing. And when it comes to affordable housing the market seems incapable of meeting the demand. Governments are part of the solution when markets are incapable of providing something (think about education, health care, and water). The Alberta Government needs to be involved in affordable housing!

Now Martha does not often offer the Alberta government praise. But Premier

Stelmach made "affordable housing" one of his top 23 [Priorities](#) . Great, thought Martha. Stelmach appointed a task force (he even made it multi-partisan one) that reported in March of this year. The government news release on the report noted that the 15-member panel "spent 45 days gathering input and compiling the report. They visited nine communities and heard from more than 800 presenters. In addition, about 600 Albertans provided written input." That is a pretty good consultation, thought Martha.

Then the news release went on to describe how the chair, Len Webber, MLA for Calgary-Foothills said, "The consistent message we heard from Albertans is that without affordable housing, our province's economic growth cannot be sustained." Martha thought that sounded exactly right. Without an increase in the supply of affordable housing the demand will continue to outstrip the supply and people will face massive increases in rent and homelessness. But here is where things start to get into magical thinking. The government's response to their task force's report rejected many of the recommendations, particularly those involving major investments in affordable housing and the need for immediate measures to mitigate the rental-housing crisis, in favour of a few changes. (See: [Government responds](#))

The Stelmach government rejected rental caps and opted for a once a year increase by landlords of any amount. Stelmach also announced budget investments of about \$350 million. That sounds like a lot, until you realize that most of that money goes into housing services already being provided (like seniors housing) and about \$7 million into the current crisis. That \$7 million goes to people who are facing eviction because they can't afford rental increases. (see: [Eviction Fund](#)) In other words, the government is allowing landlords to charge huge rents and if people can't pay then the government will pay the private landlords those huge increases. Now, just a minute, thought Martha, that means that landlords are being encouraged to gouge renters because if they only moderately increase the rent they won't get money from the government but if they double it then they are virtually guaranteed of a government cheque. Since when does a government encourage private business to overcharge??

Most provinces have some kind of limitations on the amount of rental increases. In BC the amount allowed is inflation plus 2%. In PEI it has averaged about 2.5%, in Manitoba it is 2.5%, (see [BC](#), [PEI](#), [MB](#)). In Ontario the rental increases are kept at about 3% per year as long as a person remains in the unit (see [ON](#)). Governments in Ontario have had rent control in some form since the 1940s. The reality is that protection for consumers is needed. No magical thinking is required. Just some real protection in the form of rental

caps.

We call on the Stelmach government to cap rental increases the way other provinces have done. The maximum rental increase should be no more than inflation as a way of ensuring that when people continue to live in a place, they can continue to afford to do so. The Stelmach government must ensure that rents are fair and landlords are not being encouraged to gouge their renters. The market is incapable of accomplishing this without government oversight.

Deal or No Deal is a captivating show but Alberta renters must not be held captive any longer by a government captivated by magical market thinking or landlords captivated by making a buck. Rental caps will ensure some protection for renters and then the government can start offering financial incentives to build affordable housing units, another cog in the wheel of solutions to the affordable housing crisis in this province. (For further ideas of what governments could do see: [CAW statement](#))

Please copy and send the following letter (or one of your own) to Housing Minister Ray Danyluk, Premier Stelmach, Liberal Housing Critic Bruce Miller and NDP Housing Critic Ray Martin and back to Martha by copying and pasting the following into your TO line:

Premier@gov.ab.ca, edmonton.glenora@assembly.ab.ca,
edmonton.beverlyclareview@assembly.ab.ca, Minister.MAH@gov.ab.ca,
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