

March 18, 2020

Hon. Steve Clark  
Minister of Municipal Affairs and Housing  
17th Floor, 777 Bay Street  
Toronto, ON  
M7A 2J3

***Re: Supporting tenants during the COVID-19 Crisis***

Dear Minister Clark,

On behalf of the Federation of Rental-housing Providers of Ontario (FRPO), I am writing to you today to share our proposed approach for the government to support tenants in these challenging times.

As you are aware, FRPO has been the leading voice of the province's rental housing industry for over 30 years. We are the largest association in Ontario representing those who own, manage, build and finance, as well as those who service and supply residential rental units. We represent more than 2,200 members who own or manage over 350,000 units across the province.

Many of our tenants have already experienced significant reduction of incomes. Some are hourly workers whose workplaces are no longer open, and others have been laid off or at risk of being laid off in the near future. The federal government has introduced considerable assistance for Canadians to offset lost income, however, this may not be enough to bridge the gap to cover all essential costs, especially housing.

Decisions by the provincial government to direct the Landlord and Tenant Board to issue no new eviction orders may create a scenario where it becomes rational for some tenants to default on rent to cover other essential costs.

FRPO has encouraged our members to implement practical options for addressing "out of character" defaults on a one-off basis such as alternate payment arrangements. However, many of our tenants will not be in a position to pay back multiple months of accrued rent down the road as their income levels may not allow it. This creates a scenario where the most vulnerable are setup for delayed evictions when the crisis is resolved.

We are in extraordinary times and these times need extraordinary action. This is why FRPO is urgently calling for the government to setup an Ontario Rental Assistance Program (ORAP). This program would be time-limited and intended to provide interest-free loans to help tenants deal with rental costs until we have passed the current crisis. There would be an option to forgive the loans tied to income levels down the road.

## ONTARIO RENTAL ASSISTANCE PROGRAM (ORAP)

FRPO would like to provide the following advice to the government in their consideration of the design of such a program.

### *Principles*

The design of any program should support the following core principles:

- Relationship between landlords and tenants does not deteriorate during this crisis;
- Responsibility for paying rents remain with tenants;
- Assistance should be provided where it can be demonstrated that a tenant is unable to make rent payments in the short-term due to the current crisis; and
- Ensure the economic viability of the province's already depressed rental housing sector through uninterrupted rent payments.

### *Parties and Roles*

The rental support program should be structured with four parties serving the following roles:

Party	Role
Tenant	File declaration of need, pay what they can with the remainder being repayable / forgivable loan
Landlord	Administer application process, bear carrying costs of rental shortfall until supplement is received from the government
Government of Ontario	Fund primary shortfall, manage compliance
Government of Canada	Cost-share shortfall with province, manage repayment via tax system

### *Further Design Elements*

#### Tenant Benefit & Affirmation

- The benefit to the tenant is an interest free loan reconciled through the income tax system.
  - It could be repayable or not depending on other benefits.
  - It could be capped at a ceiling.
- The approach should be a “pay what you can” system with the shortfall backstopped by the government. However, there must be a clear understanding that it is not intended to serve as full relief from rent.
- In terms of operations, the tenant would make the following declaration:
  - I have been laid off / I have no income. (affirmation)
  - My monthly rent is \$\_\_\_\_\_. This month I can only pay \$\_\_\_\_\_. (landlord confirms)
  - I cannot pay rent due to COVID 19. (affirmation)
  - I am / am not receiving EI (affirmation) linked to SIN number.



## Landlord Administration

The rental housing provider would effectively be responsible for administering the program on-the-ground. This includes:

- Making the application form to the program available to tenants who are in need.
- Providing on-site support to tenants to complete the application.
- Receiving the completed application from the tenant.
- Confirming the monthly rent and amount of rent paid by the tenant for that month.
- Submitting the application to government (ideally in a digital form).
- Receiving reimbursement by the government (no later than 30 to 45 days).

## Federal Considerations

There are also key considerations at the federal level which should be contemplated in the design of the program:

- In the event employment insurance changes are made in short order, recipients will be receiving 60 per cent of insured wages. In that scenario, the design could contemplate a maximum rental assistance of 40 per cent, in line with the level of lost wages.
- Repayment of the benefit could be administered through the income tax system and tied to the level of income with certain percentages of the loan being forgiven based on income ladders. This is important as many lower income tenants may never be in a position to pay back a multiple month loan for rent.

## ***Potential Cost of the Program***

To determine the cost of such a program, first the total amount of monthly rent paid in Ontario for residential units needs to be estimated.

There are two credible sources of data on the number of rental households and average rents in Ontario: Canada Mortgage and Housing Corporation's (CMHC) Rental Market Survey and Statistics Canada's (StatsCan) Census.

However, neither source is complete for our purposes. CMHC's dataset is recent (from October 2019) but it only looks at structures with at least three rental units, so the number of all rental households is underreported. The StatsCan data looks at all rental households but the last Census was in 2016 so the average rent would be significantly lower than current levels.

For our illustrative purposes, we used the number of rental households (1,559,720) from the StatsCan dataset and the average rent (\$1,277) from the more recent CMHC report to come up with a total rent roll of \$1,991,762,440 or approximately \$2 billion a month for residential tenancies in the Province of Ontario.

Once the rent roll is established, there are three core variables which will inform the cost of the program:

- The number of renters who seek assistance;
- The level of assistance they seek; and



- Their ability to pay back the loan.

The following tables outlines three illustrative scenarios of the number of renters who apply for relief through this program. For each scenario, we further outline some illustrative permutations of the level of assistance provided (33%, 66% or 100% of rent) and loan / grant splits with grants being the loans which never end up being repaid.

*Scenario 1 – 10% of total renters apply for relief (155,972)*

		Loan / Grant Split					
		Sub-scenario 1		Sub-scenario 2		Sub-scenario 3	
% Rent Relief	Total Amount	80% Loan	20% Grant	60% Loan	40% Grant	50% Loan	50% Grant
33%	\$65.7 M	\$52.6 M	\$13.1 M	\$39.4 M	\$26.3 M	\$32.9 M	\$32.9 M
66%	\$131.5 M	\$105.2 M	\$26.3 M	\$78.9 M	\$52.6 M	\$65.7 M	\$65.7 M
100%	\$199.2 M	\$159.3 M	\$39.8 M	\$119.5 M	\$79.7 M	\$99.6 M	\$99.6 M

*Scenario 2 – 30% of total renters apply for relief (467,916)*

		Loan / Grant Split					
		Sub-scenario 1		Sub-scenario 2		Sub-scenario 3	
% Rent Relief	Total Amount	80% Loan	20% Grant	60% Loan	40% Grant	50% Loan	50% Grant
33%	\$197.2 M	\$157.7 M	\$39.4 M	\$118.3 M	\$78.9 M	\$98.6 M	\$98.6 M
66%	\$394.4 M	\$315.5 M	\$78.9 M	\$236.6 M	\$157.7 M	\$197.2 M	\$197.2 M
100%	\$597.5 M	\$478.0 M	\$119.5 M	\$358.5 M	\$239.0 M	\$298.8 M	\$298.8 M

*Scenario 3 – 50% of total renters apply for relief (779,860)*

		Loan / Grant Split					
		Sub-scenario 1		Sub-scenario 2		Sub-scenario 3	
% Rent Relief	Total Amount	80% Loan	20% Grant	60% Loan	40% Grant	50% Loan	50% Grant
33%	\$328.6 M	\$262.9 M	\$65.7 M	\$197.2 M	\$131.5 M	\$164.3 M	\$164.3 M
66%	\$657.3 M	\$525.8 M	\$131.5 M	\$394.4 M	\$262.9 M	\$328.6 M	\$328.6 M
100%	\$995.9 M	\$796.7 M	\$199.2 M	\$597.5 M	\$398.4 M	\$497.9 M	\$497.9 M

The cost to the government associated with loans which are repaid would simply be their carrying cost for that duration of time. Under these scenarios, the monthly grant would range from \$13.1 million (in the event 10% of renters apply for 33% relief and 20% don't repay the loan) to \$497.9 million (in the event 50% of renters apply for 100% relief and 50% do not repay the loan).

FRPO recommends cost-sharing between the federal and the provincial government for the amount which ends up being a grant (loans which are not paid back).



Under the proposed construct, rental housing providers would still be supporting carrying costs associated with delayed revenue until they receive the payment from the government.

We would welcome an opportunity to further discuss our proposal with yourself and/or your staff in the Ministry of Municipal Affairs and Housing.

Please feel free to contact me at [tirwin@frpo.org](mailto:tirwin@frpo.org) or (416) 385-1100 x 20 if you have any questions.

Sincerely,



Tony Irwin  
President & CEO

CC:

Alex Earthy, Senior Policy Advisor – Housing, Office of the Minister of Municipal Affairs & Housing  
Kate Manson-Smith – Deputy Minister, Ministry of Municipal Affairs & Housing

