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REMOVING BARRIERS TO NEW RENTAL HOUSING IN ONTARIO



Federation of Rental-housing
Providers of Ontario

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EXECUTIVE SUMMARY

Removing barriers to the private sector construction of new rental housing

In Ontario, it's been hard to find affordable housing in the past; it is hard to find it now; and it looks to be even harder in the future. There is little new affordable housing being built; current stock is in need of major renovation; and finances are of heightened concern for all parties. It's not a new problem; but, as the environment gets worse, it's time for new solutions...

Ontario has everything it needs to build good quality homes at all levels that in turn create good healthy communities. If we stick to our roles – governments making policy and builders building housing – we can together, through a set of no cost/low cost policy changes with no new capital investment from the Province, get Ontario building again.

The purpose of this paper is to recommend policy solutions that would increase private sector construction of new purpose-built rental housing stock. There is a great demand for new rental housing stock in the province as the cost of home ownership continues to rise, and is increasingly unaffordable for many families and individuals. In our view, stimulating the development of new rental housing is the most effective way to make housing more affordable for more Ontario households. While there are also tools to be considered at the federal level, they are beyond the scope of this paper.¹

Our suggested policy proposals are steps that the government can take immediately to stimulate the development of new purpose-built rental housing, and help to improve the affordability of housing for those in core housing need. Most importantly, the provincial government can adopt these measures without any investment by the government in new capital dollars.

There is much evidence that suggests that adequate housing is an important social determinant of health, and access to affordable housing improves a household's chance of economic success.²

¹ Through the Canadian Federation of Apartment Associations (CFAA), FRPO has supported numerous new supply policies

- Allowing rollovers (of capital gains and recaptured CCA) into new construction
- GST exemption for new construction (since we already pay embedded in rent)
- Allowing soft cost deductibility for new construction
- Increasing Capital Cost Allowance to 5%
- Allowing small landlords to qualify as small businesses
- Extending eligibility of CCA losses to all investors
- Enhancing flexibility on CMHC mortgage insurance underwriting practices for new rental

² Cote and Tam, *"Affordable Housing in Ontario"*, Munk School of Global Affairs, University of Toronto (2013).

As the Ontario government undertakes its review of the *Long-Term Affordable Housing Strategy*, and in support of the *Ontario Poverty Reduction Strategy*, FRPO would like to partner with the provincial government to find and deliver long-term affordable housing solutions.

The Minister of Municipal Affairs and Housing, Ted McMeekin's mandate letter from Premier Wynne states that the Long-Term Affordable Housing Strategy "will include examining the methods available to measure housing needs and related metrics, and ensuring that the strategy reflects current research and best practices and our goal to end homelessness."³

Our members have the experience and the knowledge to help the government achieve its targets to reduce homelessness and increase the supply of rental housing that is affordable for thousands of households in Ontario.

Improving housing affordability

For decades, the Government of Ontario has intervened in the market in an effort to reduce housing affordability problems.

- Through direct financial investment in the construction of hundreds of thousands of social housing units, all levels of government attempted to create more supply and competed directly with private sector operators;
- Through income supplements, governments tried to make existing units more affordable;
- Through rent controls, the provincial government has intervened to artificially cap the actual economic cost of housing, causing a chill on the faith of private investors on the integrity of the marketplace and its viability for long-term investment; and
- Through the prohibitions on demolition and conversion of rental housing, owners have experienced a further deterioration in their ability to manage their own affairs without government interference.

Despite all of these measures, a remarkably consistent proportion of households persist in having housing affordability problems. A different approach is required if we expect to create a better outcome that we have seen in the past.

There are limited opportunities to decrease the cost of new housing

No matter who takes the lead in creating new housing—private sector, non-profit, co-operatives or directly by the government—the cost of land, materials, design, construction, and management remains high. Fees and charges associated with development are also high. In

³ "2014 Mandate Letter: Municipal Affairs and Housing," Ontario Government, <https://www.ontario.ca/government/2014-mandate-letter-municipal-affairs-and-housing>

addition, uncertainty about the regulatory environment, and doubts about the government's future plans also discourage investment in new housing supply⁴.

Getting housing supply right: How many and what kind of units

There is mounting evidence that additional rental housing supply is needed in Ontario. Changing household patterns, such as smaller household sizes and increased demand to live in urban areas are among them. The relative cost of purchasing a home compared to renting is now at an all-time high, further contributing to long-term growth in rental housing demand in Ontario. After declining and stagnating rates of net immigration levels for the past decade, the number of new Canadians settling in Ontario is forecast to rise, bringing with it an additional wave of rental housing demand.

Government should not be in the bricks and mortar business today

As shown in this paper, it is unrealistic to expect governments to invest any significant amounts of funding in new social housing construction. With both provincial and federal levels of government currently managing large operating budget deficits, any new affordable housing measures must come with a minimal tax-dollar price tag.

The private sector must be part of the solution

Housing affordability cannot be ultimately achieved by any one stakeholder—it has to be the industry, the community, and government working together.

FRPO recognizes that the entire housing sector benefits when we all work together on a common goal—to *improve the affordability, availability, and security of housing for the people of Ontario*.

FRPO has been working in partnership with the Ontario Non-Profit Housing Association (ONPHA) to advocate for policy solutions that will encourage and facilitate the development of new affordable housing and meet the affordability challenges Ontarians face.

We recognize that the long-term sustainable solution to housing affordability relies on the government to partner with private sector housing providers to deliver a program that benefits all stakeholders, but most importantly the tenant.



⁴ Jill Black, *The Financing and Economics of Affordable Housing Development: Incentives and Disincentives to Private-Sector Participation*, Cities Centre Research Paper 224, (2012).

The private sector has the experience and the resources to deliver an effective, cost-efficient program that will reduce the government's burden of new expensive capital projects, and will reduce waiting lists for affordable housing, which will help to eliminate homelessness.

Public-private partnerships in new affordable housing developments have proven successful—the recent development of Regent Park in Toronto is just one example.

However, the government needs to do more to stimulate private sector investment and implement tools that will provide more long-term stability in the marketplace for the development of purpose-built rental housing.

Current government policies work against the construction of new rental housing, which is an affordable housing option for many households. As the overall demand for housing increases in Ontario, government needs to work with the private sector to find solutions that will stimulate the development of new purpose-built rental housing that will provide more affordable options for individuals and families.

The solution: New rental housing supply policies capable of bridging the gap

There are a number of policy options, which if implemented, will result in a growth of new purpose-built rental housing construction. The units in these buildings will provide an important option for many people seeking an affordable alternative to home ownership.

These recommended measures are:

Affordable rental housing agreements

The government should work together with the private sector to develop new long-term rental housing agreements that will encourage the development of new purpose-built rental housing in communities across Ontario.

The Ontario government could adopt a model similar to the Rental 100 Program in Vancouver. The government provided developers with relief from specific development fees and charges in order to create 5,000 new units of long-term purpose-built rental housing for low and moderate-income households, including seniors.



Lowering development charges

The high cost of development charges for new housing in Ontario has led to undesirable consequences for tenants: less units and higher rents. The government should provide exemptions for the construction of new purpose-built rental housing in order to stimulate creation of new units.

Preserve Ontario's Post-1991 New Rental Development Policy

Rent control remains a barrier to investment in new and older buildings. While new rental housing is currently exempt from rent control, the risk of strict price controls being re-imposed continues to distress investor confidence in Ontario and is a substantial impediment to the supply of new rental housing. Maintaining the post-1991 exemption, along with vacancy de-control, will encourage new rental housing supply, while phasing-out rent control limits on existing units will stimulate private investment in Ontario's aging rental stock.

Reduce burden of planning and density-bonusing fees

The government should improve transparency and certainty for how development fees are imposed under Section 37 of the *Planning Act*. The Act should be amended to better define the circumstances where Section 37 fees are imposed, which currently represent over 17 percent of the cost of a new multi-residential unit in the City of Toronto.

Changes to property tax and assessment policies

In order to improve the affordability of housing for tenants, the government must consider changes to property tax and assessment policies in Ontario. Due to the current municipal tax policy on multi-residential units in Ontario, the average tenant is paying twice the property tax rate of a house or condominium. This inequity means that on the average two-bedroom apartment in Ontario, tenants are paying the equivalent of 13 months of rent in each calendar year.

Additionally, the current assessment methodology used by the Municipal Property Assessment Corporation (MPAC) results in too many lengthy and costly assessment appeals—modernizing the method of assessing multi-residential properties to reduce the need for appeals on value will immediately help lower the rents tenants pay.

When developers get approval to build new multi-residential buildings, municipalities often charge much higher property tax rates even before the first shovel goes in the ground. Changing this policy will help lower the cost of new construction, and thereby reducing the amount of rent charged when the new building becomes available for lease.

Eliminate expensive municipal rental housing licensing schemes

Protect new rental housing from licensing by restoring the pre-2007 regulatory exemption under the *Municipal Act*, in recognition of the existing regulatory standards provided by the *Residential Tenancies Act*, the Building Code, the Fire Code and municipal property standards enforcement tools.

Combined, these changes will help to reduce the cost of construction and maintaining purpose-built rental housing, to a point that will make renting these new units an affordable alternative to home ownership for many households in Ontario.

In addition, these recommendations will allow the government to invest any capital funding designated for housing in its existing housing stock, which will improve the living conditions and livelihoods of those living in government-owned affordable housing.

Construction of new rental housing in the City of Toronto

While there has been recent growth in the construction of new rental housing in the Toronto region, this alone will not solve the problem of providing more affordable alternatives for many individuals and families at low- or moderate-income levels.

Many of these new rental developments are geared towards the luxury rental market, where rents are often over \$2,000 a month, making this option unaffordable for the majority of low- and middle-income households. These new developments demonstrate that there is a growing demand for new rental units, particularly in urban and transit accessible communities, where the cost of land and development remains high. It would be unfeasible for a developer to build new rental units in these desirable locations and offer tenants lower rents because of the high costs of development, in particular in the GTA where the demand is high.

Similar to the growth of the condominium market, these new rental developments have been stimulated by historically low interest rates. However, should these interest rates increase in the future, as expected, this temporary growth in the development of new rental housing would likely cease.

This is why FRPO members are suggesting solutions to the government that can enable new construction of rental housing for people at a range of income levels, which will provide greater housing options, while taking advantage of the current low interest rates.

Proposed rental rates in new purpose-built rental buildings

FRPO members believe that if the provincial government were to adopt these solutions, it would encourage the private sector to build new purpose-built rental units that would meet CMHC's criteria of affordability, generally defined as housing that costs less than 30 percent of the household's average gross income.



Rental housing remains the most affordable housing option for the majority of households living in the GTA, however the cost of renting in most new luxury rental buildings or condominiums remains unaffordable for many prospective tenants.

The cost of land and development, especially in the GTA, remains too high for developers to charge more affordable rents and cover the overhead costs of construction and maintenance. In order to reduce the costs of rents for tenants in new rental buildings,

the government must consider the solutions we have put forward that will reduce the cost of development, provide long-term assurances in the rental market, and reduce administrative and taxation burden for all housing providers.

The continuum of housing

Every rental household in Ontario is part of a broader continuum of housing. Ultimately, new supply in one segment of the housing market tends to benefit another lower-income population segment by enabling more choice and housing availability.

According to the Algoma District Board's 10 year housing and homelessness plan:

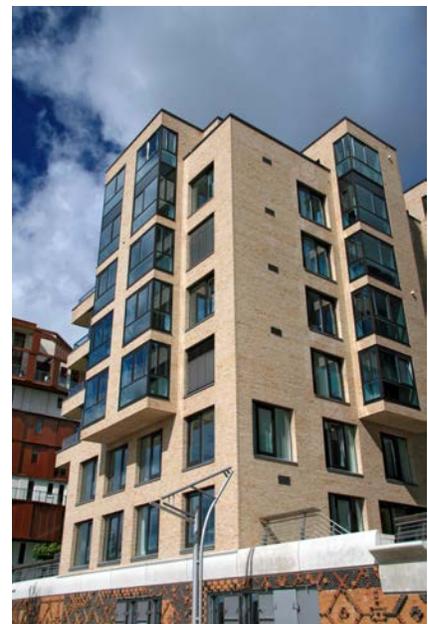
"The housing options that make up the housing continuum have their own dynamics and are highly interdependent.

Activity or inactivity in one area of the market affects the supply or availability of other housing. For example, a limited supply of housing subsidies means considerable delay or inability of individuals to move from temporary or emergency housing to permanent subsidized housing. Similarly, a general lack of rental housing stock would inhibit mobility along the continuum even if there were rent subsidies available. Lack of supportive housing for seniors may mean that some seniors are forced out of their homes and/or communities and are prematurely placed in long-term care homes or occupy acute care hospital beds longer than necessary.⁵"

By investing in new rental stock in Ontario, prospective tenants will be provided with more freedom of choice to find a home that is closer to work or school. Many families and individuals are unable to afford buying a home that is close to a major transit hub; however rental accommodation is a much more affordable option.

In addition, the market needs a healthy mix of high-end and low-end purpose-built rental units to maintain a healthy stock for the future. In many cases, high-end units that were built in the 1970's, including Thorncliffe Park in Toronto, have transformed into more affordable units for tenants as the stock ages.

Investment in new rental housing stock will also provide better options for tenants, potentially creating more vacancy at the lower end of the rental market for low-income tenants. According to CMHC data, the highest vacancy rates in the province are units in the \$799 or lower price levels.



FRPO remains committed to finding better ways to bring the right housing solutions to all tenants in Ontario, and we want to work in partnership with the government to improve housing affordability for all Ontarians.

⁵ "Algoma District Services Board, "Opening Doors to Better Lives: ADSAB 10-Year Local Housing and Homelessness Plan," (2013), 27.

ABOUT FRPO

The Federation of Rental-housing Providers of Ontario (FRPO) is the largest association in Ontario representing those who own, manage, build, and finance residential rental properties. Our membership includes a diverse group of owners and managers, from those with one building or single rental unit, up to the largest property management firms and institutional owners and managers.

FRPO represents more than 2,200 professionals who own or manage over 350,000 rental homes in every area of Ontario. Ontario's private sector rental housing providers supply homes to individuals and families with a range of incomes across the province. Our expertise lies in building, operating and maintaining all types of rental housing units in an effective and efficient manner.

FRPO members take a customer service approach to our relationship with our tenants. There are over 4 million rental households in Ontario, and our members understand the importance of providing a healthy, safe, and stable living environment for each individual tenant and family.

Our members utilize the best available technologies and management practices to ensure we meet and exceed the standards set by government, along with guidelines and practice supported by the industry. We have the expertise to build new purpose-built rental housing wherever the need exists and market conditions support new development.

We understand that every tenant and homeowner is a part of the same continuum of housing in Ontario. The development of new housing stock in Ontario creates more options for low-income families, seniors, individuals and home owners. We are committed to working with other housing providers, such as the Ontario Non-Profit Housing Association, and others to provide the best quality of life for all residents in Ontario.

THE ECONOMIC IMPORTANCE OF THE PRIVATE RENTAL HOUSING SECTOR IN ONTARIO

The construction of new purpose-built rental housing by the private sector will stimulate economic activity across the province and create thousands of jobs.

The rental housing sector is a major economic driver in Ontario – and investment in new rental stock would benefit tenants, governments, and the economy while creating thousands of high wage construction jobs.

From an economic perspective, the government should partner with rental housing providers to encourage the construction of new rental housing units that will benefit tenants and government alike from the spinoff of those investments.

Private investment in new rental stock will also help to achieve the province’s affordable housing goals without any capital investment from the government.

We know, however, that there is more to be done to increase housing affordability for all those in need in Ontario. The demand for rental housing also continues to increase due to the high costs of home ownership, changing demographics, immigration, and the decline of single-family home construction in Ontario. FRPO will continue to work with levels of government to put forward solutions that will achieve the government’s priorities to reduce poverty and eliminate homelessness, while growing the economy and creating jobs.

A recent study by FRPO and KPMG, *Economic Impact Assessment Study – Ontario Rental Housing Sector*, found that Ontario’s Private Rental Housing Sector is responsible for ⁶:

146,534 Jobs

Ontario’s private sector rental housing industry generates 163,343 full time jobs across Canada, of which 146,534 (or 90 percent) are located right here in Ontario.

\$56,600 average wage

The average annual wage associated with employment in rental housing is \$56,600. Many rewarding careers found in rental housing include employment in property management, administration, finance, repair, construction, and technical services.

“The stimulation of private investment in new rental housing is sound economic policy, supporting the government’s goals to reduce the deficit, create new jobs, and help thousands of families and individuals across Ontario.”

Scott Andison
President and C.E.O.
FRPO

⁶ FRPO and KPMG “Economic Impact Assessment Study – Ontario Rental Housing Sector, (January 2013).

\$18.3 billion

The rental housing industry contributes \$18.3 billion to Ontario's economy, plus \$1.92 billion in other provinces for a total GDP impact of \$20.2 billion.

\$8.29 billion

Total labour income, including wages and employer-paid contributions for full time positions, is approximately \$8.29 billion in Ontario, plus another \$0.96 billion in other provinces.

\$7 billion

Ontario's rental housing industry contributes \$7 billion in tax revenues to all levels of government. Of this amount, \$6.45 billion was collected in Ontario.

\$4.5 billion

The private rental housing industry invested over \$4.5 billion in housing infrastructure in 2012. Of that, \$1.77 billion was invested in new construction and \$2.76 billion invested in renovations.

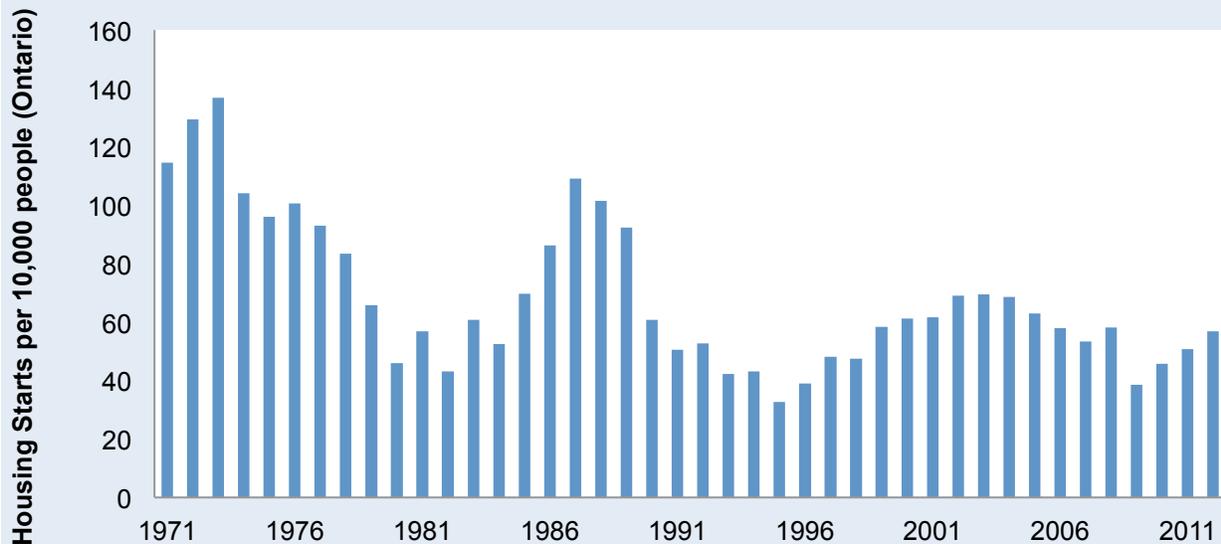
\$2.5 billion

Construction contributes \$2.5 billion or 12 percent of rental housing's total GDP impact.

RENTAL HOUSING BY COMPARISON (GDP, Ontario)	
Manufacturing	\$76.1 billion
Finance and Insurance	\$51.8 billion
Construction (Total)	\$32.8 billion
Tourism Industry (Total)	\$19.5 billion
Rental Housing Industry	\$18.3 billion
Defence Industry	\$13.9 billion
Aeropace Industry	\$11.2 billion
Mining and oil and gas extraction	\$6.5 billion
Agriculture, forestry, fishing & hunting	\$4.7 billion
Arts and Culture Industries	\$3.7 billion

DEFINING THE PROBLEM: CURRENT MARKET CONDITIONS

SUPPLY OF NEW HOUSING IN LONG-TERM DECLINE



Source: HRSDC calculations based on Statistics Canada. Table 027-0009 - Canada Mortgage and Housing Corporation, housing starts, under construction and completions, all areas, annual (units), CANSIM (database); and Statistics Canada. Table 051-0001

While the majority of Ontarians still live in detached houses, over the last 10 years the construction of single family homes has rapidly declined, indicating both a change in market conditions and a trend towards more multi-unit housing development.

Since 2002, the construction of new single-family homes in Ontario has declined by 54 percent (a similar 57 percent drop in Toronto). While annual condo starts have increased, this has not made up completely for the decline in single-family home construction.⁷

Total housing starts (houses, condos, and rental suites) have declined steadily after peaking at 85,000 per year in both 2003 and 2004, to about 60,000 projected for both 2015 and 2016.⁸

THE COST OF SINGLE FAMILY HOMES IS INCREASINGLY UNAFFORDABLE

The cost of owning a home is increasingly unaffordable for many people including families, young workers, and new immigrants. High costs of land, development charges, land transfer taxes, and increased government regulations have also contributed substantially to the increase in costs of homeownership in Ontario. Incomes have not kept pace with the cost of housing.

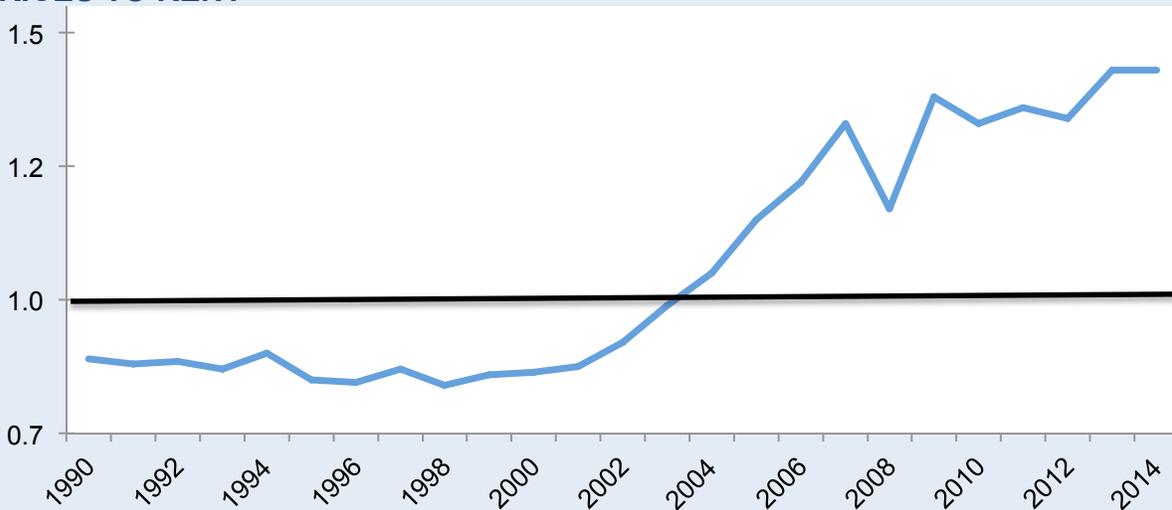
⁷ CMHC, Canadian Housing Observer 2014, 3-2

⁸ Ibid

According to a recent study by TD Economics, \$140,000 is the annual household income required to finance a single-family home in the Greater Toronto Area (GTA), which costs on average \$740,000⁹. Of that cost, \$28,000 is the average cost of development charges for a single-family home in the Toronto. Meanwhile, according to Statistics Canada, the median family income in Ontario is \$74,890, roughly half of the income required to purchase a home in the GTA¹⁰.

For a large segment of the population in Ontario, both low-income and moderate-income households, rental housing is the only affordable option for housing. This underlines why the government must work with the private sector to enable the construction of more purpose-built rental housing.

THE CHALLENGE OF BUYING A HOME: RATIO OF HOUSE PRICES TO RENT



Sources: CMHC (March 2014 Housing Now), MLS Average House Price and Average CMHC Market Rent Ratio. 1.0 = Long Term Average Ratio

RENTER HOUSEHOLDS HAVE INCREASED

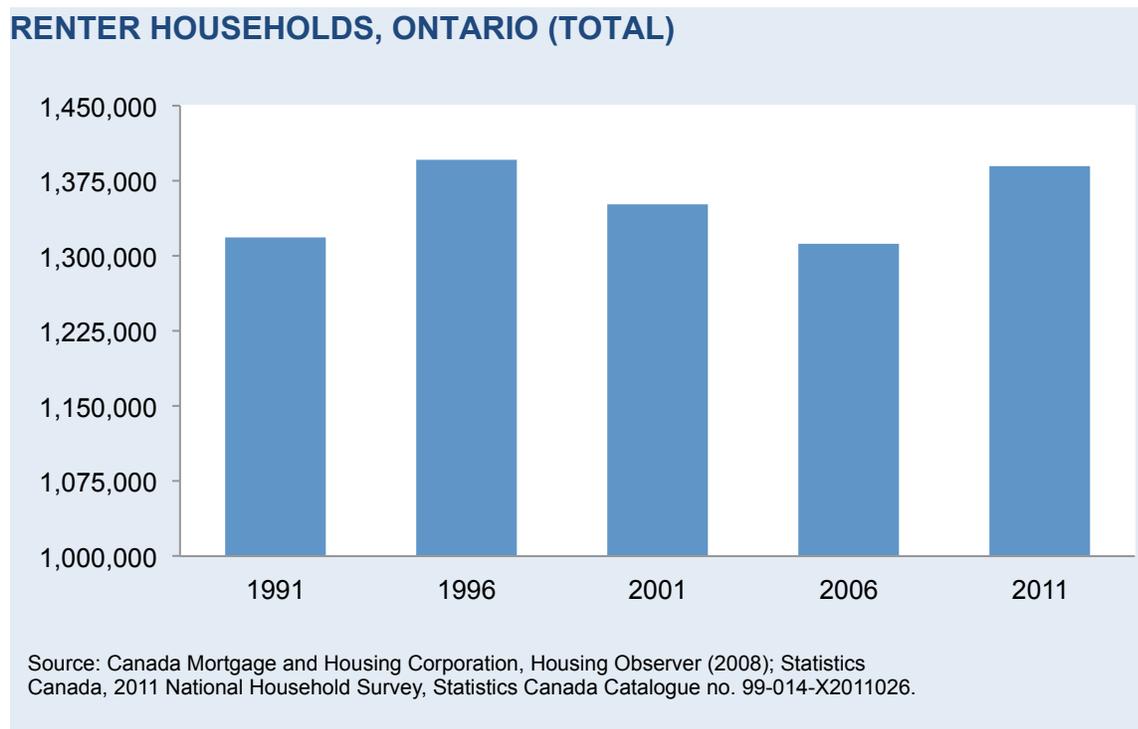
As a result of the price of single-family homes increasing, and the decline of new housing supply, there is a growing demand for new purpose-built rental housing. Rising youth employment, government intensification policies, and a desire to live in urban communities that are transit accessible have also contributed to the growing demand for rental housing, and increasingly have supported the growth of the condo market.

⁹ TD Economics, "GTA Housing Boom Masks Growing Structural Challenges," (January 2015) 9.

¹⁰ Ibid

According to Bruno Duhamel, Manager of Economic and Housing Analysis at CMHC, “demand for rental housing continues to be supported by population gains from net migration and stable employment levels for young workers aged 20 to 24.”¹¹

From 2006 to 2011, the number of renter households rose by 200,000 to 4.1 million, consistent with slower income and employment growth, higher immigration, and more households with maintainers under age 35.¹²



CONDOMINIUMS ARE NOT THE ANSWER

The growth of the condo market has provided a supply of new rental housing, however affordability remains an issue for many tenants. According to CMHC data, 43 percent of the newly completed condominium apartments in the GTA in 2013 were rented.¹³

The addition of new condo units is not the solution to meet the growing demand for rental housing. Condominium units are held by individual investor owners. Often absent, and frequently unskilled in operating rental units, unsophisticated landlords often fail to provide the same quality of service to the tenant as a professional property management company.

¹¹ CMHC, “Canada’s Rental Vacancy Rate Remains Unchanged,” (June 2014) <https://www.cmhc-schl.gc.ca/en/corp/nero/nere/2014/2014-06-11-0816.cfm>

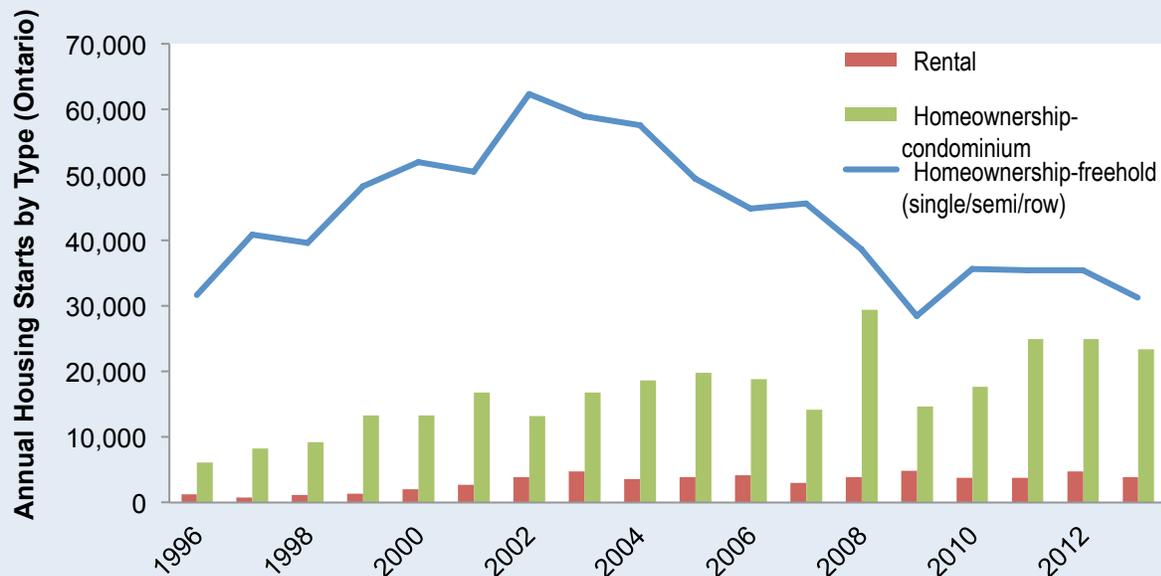
¹² CMHC, Canadian Housing Observer 2014, E-5

¹³ CMHC, Rental Market Report, Greater Toronto Area 2013, 5.

In addition, individual condo units are more vulnerable to market conditions and tenants are at the whim of individual owners who may wish to take the unit out of the rental stream.

Overall, while the development of condos has responded to the desire for more urban, multi-unit housing, condos cannot be relied upon solely to form the long term supply of rental housing in the province.

BOOM IN CONDO CONSTRUCTION TEMPERED BY DECLINE IN SINGLE-FAMILY HOME CONSTRUCTION



NOT ENOUGH RENTAL HOUSING IS BEING BUILT

While the construction of new purpose-built rental housing is growing, over 56,000 new rental housing units were built in Ontario from 2006 to 2012; supply has not kept up with demand.¹⁴

The Ontario Non-Profit Housing Association estimates that the future demand for purpose-built rental housing in Ontario is 10,000 units annually.¹⁵

As the cost of home ownership continues to increase, the government must do more to encourage the development of purpose-built rental housing in Ontario that provides a more affordable alternative for thousands of families and individuals in need of housing.

Unlike condominium construction, private rental housing is a long-term investment; FRPO reminds the government that uncertainty related to future government policy contributes to an unfriendly business environment and does not attract investment to Ontario.

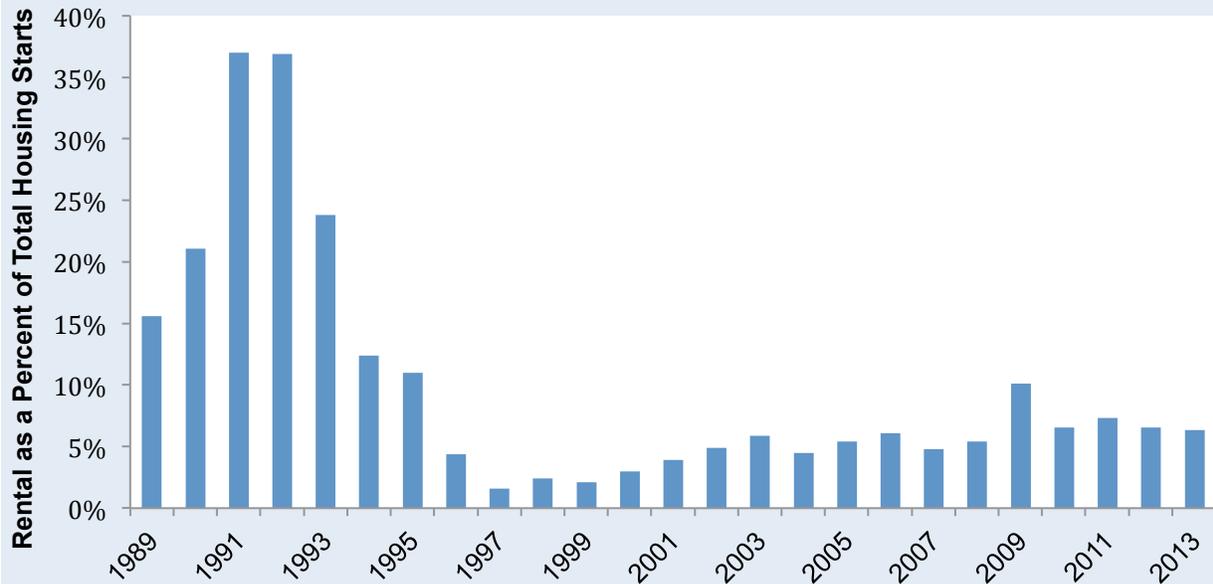
¹⁴ FRPO and KPMG “Economic Impact Assessment Study – Ontario Rental Housing Sector, (January 2013)

¹⁵ Ontario Non-Profit Housing Association, *Where’s Home,* (2010), 3.

The attitudes of stakeholders and regulators matter to the creation of a stable investment climate. As discussed more fully below, a continuation of the Post-1991 exemption from rent control is essential to growing the stock of purpose-built rental housing.

As Cote and Tam observed, “governments need to reassure private participants that they can have confidence in the rules of the game¹⁶.”

LEVELS OF CONSTRUCTION OF PURPOSE-BUILT RENTAL UNITS HAS DECLINED OVER TIME



Source: Co-operative Housing Federation of Canada, 2010; CMHC Housing Observer 2013, Housing Market Indicators Data Table, Starts and Completions Survey; CMHC Housing Now 1Q2014.

¹⁶ Cote and Tam, “Affordable Housing in Ontario”, Munk School of Global Affairs, University of Toronto (2013), 8.

UNLOCKING PRIVATE CAPITAL TO BUILD NEW RENTAL HOUSING

BARRIERS TO BUILDING NEW RENTAL HOUSING

There are a number of factors that have deferred the construction of new purpose-built rental housing in Ontario. Some of these factors include the inherent risks of long-term development (as compared to condominium development):

- Developers must leave their equity in projects over the long-term, limiting their ability to revolve their capital into new projects
- There is less immediate cash flow because they cannot generate revenues until the units are built and occupied
- Financers also perceive greater risks, increasing borrowing costs, requiring that developers purchase mortgage insurance and delaying the financing process ¹⁷

In addition, FRPO's Affordable Housing Committee has cited these four issues as key barriers to construction of new purpose-built affordable housing:

- High development charges
- High planning and density-bonusing fees (section 37 agreements)
- Concern about re-imposition of rent controls
- Unfair property tax assessments of multi-residential dwellings
- Municipal licensing schemes and fees

FRPO believes that there are a number of government levers available that could unlock private capital to build more purpose-built rental housing. There are a great many tools and incentives which have been considered in Ontario and in other jurisdictions.

FRPO has focused on solutions that the government can take immediately, without investment in capital dollars that would encourage the development industry to invest in new purpose-built rental stock. ¹⁸

GOVERNMENT TODAY CANNOT AFFORD TO BUILD NEW UNITS

The Ontario government is facing a deficit of over \$12 billion, budgets are stressed and demands for public services remain increasingly high. In order for the Ontario government to achieve its goal to balance the budget by 2017/18 it must find program savings across government.

¹⁷ Jill Black, *The Financing and Economics of Affordable Housing Development: Incentives and Disincentives to Private-Sector Participation*, Cities Centre Research Paper 224, (2012).

The Ontario government has recognized that the demand for affordable housing cannot be addressed within existing budgets. It is necessary, especially at a time of declining long-term federal funding for housing and homelessness, for the government to partner with the private sector to build new purpose-built rental housing as a more affordable alternative to homeownership.

GOVERNMENT DIRECT INVESTMENT SHOULD FOCUS ON EXISTING STOCK

The government should make use of its affordable housing investments to upgrade its existing housing stock. The capital shortfalls and infrastructure deficits faced by government-owned housing agencies throughout the province are well documented.

Almost \$3 billion alone is needed to bring the 200,000 plus units in Ontario's housing stock into a good state of repair.

Before any new capital investment is made in the construction of new social housing, rehabilitating Ontario's existing social stock should be the priority of any new capital funding. This has also been identified as a priority by non-profit housing stakeholders.

CLEAR ROLES AND RESPONSIBILITIES FOR THE PUBLIC AND PRIVATE SECTOR

FRPO welcomes an evaluation of the roles and responsibilities of the public and the private sector when it comes to the delivery and operation of affordable housing. FRPO members have the knowledge and the experience to deliver quality management and customer-focused delivery of thousands of rental properties across the province.

Several municipal service delivery managers have expressed a desire to get out of the business of managing and owning affordable housing due to prohibitive costs, and have expressed the desire to move towards income support programs for housing.

The City of Toronto alone is faced with a \$941 million capital repair backlog for affordable housing, and a \$1.73 billion funding shortfall for capital repairs over the next 10 years.¹⁹

It's time that all levels of government reconsider how they fund and operate housing in their communities and consider partnering with the private sector to deliver housing more cost-effectively and efficiently for tenants.

¹⁹ Toronto Community Housing, "State of Good Repair 2014," http://www.torontohousing.ca/sogr_repair_needs

ESTIMATED COSTS AND PRO FORMA SUMMARY FOR NEW RENTAL HOUSING DEVELOPMENTS

Policies that reduce or waive development charges and fees would have a beneficial effect on the development of new rental housing. The deferral of property assessments for multi-residential rental developments and fair property taxation would also stimulate the construction of new rental housing that is affordable for more households.

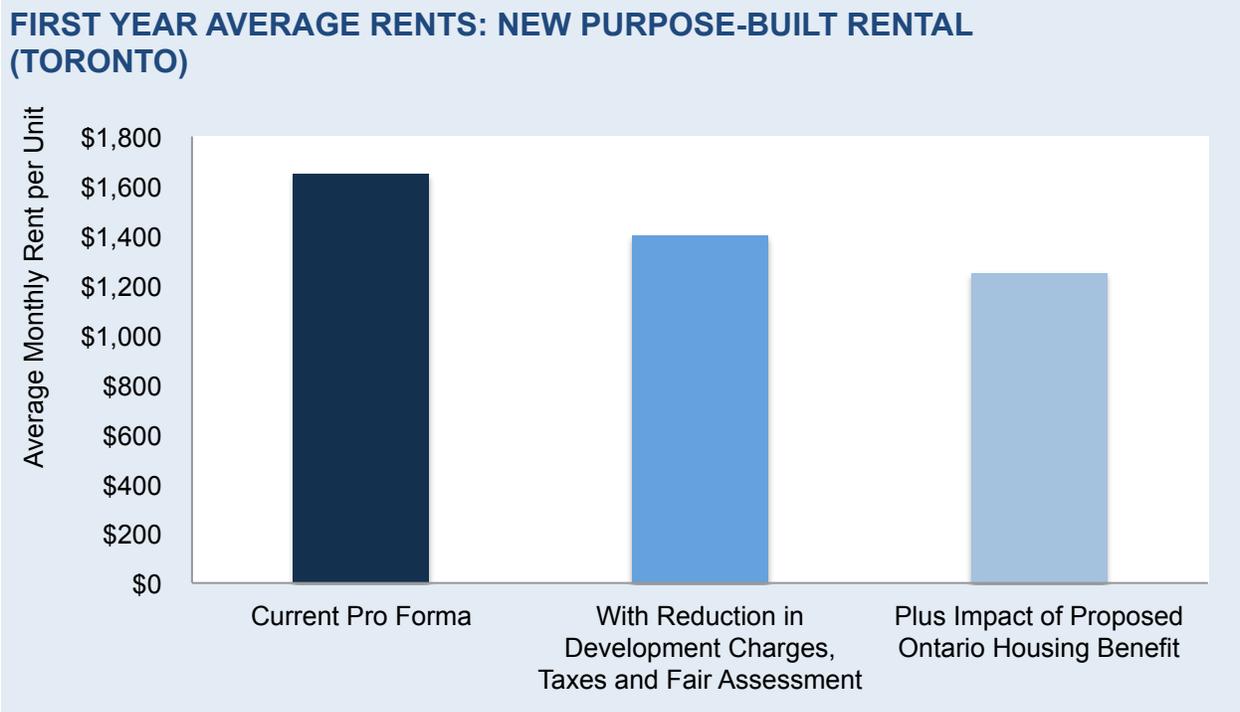
In Toronto, for example, a new high-rise rental apartment building must pay an estimated \$25,000 to \$30,000 per unit in upfront development charges and fees. Ongoing property taxes are an estimated \$2,500 per unit per year, or over \$200 per month per tenant. Because rental developments are assessed as multi-residential immediately upon construction, and often two to three years prior to occupancy, an additional \$1 million or \$3,400 per unit is charged by the municipal and provincial government prior to any rental revenue being received. These costs, along with other estimated costs for land, construction, and property management, result in an environment and business case where it is possible to build new high-rise rentals where monthly rents average between \$1,475 and \$1,800 per month.

EXAMPLE PRO FORMA: TORONTO HIGH RISE CONCRETE RENTAL	
Number of units	295
Average size per unit (sq ft)	600
Total square ft (GLA)	230,000
Net leasable area	184,000

SUMMARY OF DEVELOPMENT COSTS—NEW RENTAL UNIT IN TORONTO

DEVELOPMENT COSTS	TOTAL	COST PER SQ FT	COST PER UNIT
General construction, excavation, shoring, concrete formwork, masonry, steel and balconies	\$26,913,000	\$117	\$91,232
Interior, carpentry, finishing, walls, flooring, ceilings, painting	\$17,373,000	\$76	\$58,893
Equipment: elevators, plumbing, electrical, sprinklers, ventilation	\$17,469,000	\$76	\$58,777
Soft Costs: planning, engineering, architect,	\$2,735,000	\$12	\$9,273
Development charges, municipal permit fees and charges	\$7,366,000	\$31	\$24,500
Other: Appliances, equipment, systems software	\$1,010,000	\$4	\$3,424
Other Taxes	\$7,044,000	\$31	\$23,879
Land	\$24,150,000	\$105	\$81,864
TOTAL DEVELOPMENT COSTS	\$104,061,692	\$451	\$351,841

The average CMHC monthly rent for a 2-bedroom apartment is currently \$1,250 per month. A re-examination of how current development charges and Section 37 fees are applied to new rental developments, along with other favourable property tax changes, would encourage the construction of additional rental units which are more affordable for the average renter household.



WHAT CAN BE DONE TO REMOVE BARRIERS TO NEW RENTAL HOUSING IN ONTARIO

1. AFFORDABLE RENTAL HOUSING AGREEMENTS

The government should partner with the private sector to create affordable rental housing agreements that will ensure that new purpose-built rental housing is built in communities across Ontario, and provide for more affordable housing options for individuals and families. By providing relief from development charges and other fees, the private sector would be able to reduce the costs of rents, and provide long-term assurances to government, that would increase affordability for tenants.

In addition, the government would not be required to invest any capital in these projects, while stimulating the development of thousands of new purpose-built rental units. These rental housing agreements would meet the government’s goals of improving access to affordable housing, reducing poverty, and creating healthy mixed use and sustainable communities for families, while growing the economy and creating jobs.

This model has been successfully adopted in the City of Vancouver under a housing policy called Rental 100.

The City of Vancouver Rental 100 Program

The 100 Program's stated purpose is to encourage the development of projects where 100 percent of the residential units are rental. Under the policy, all rental units created will be secured for 60 years, or for the life of the building, whichever is greater.²⁰

The policy targeted low- to moderate-income households and seniors and will allow the City of Vancouver to reach its goal of creating 5,000 new units of market rental housing by 2021²¹. On a proportional basis, this would be equivalent to 90,000 new rental homes across Ontario.

Vancouver developed this program in response to the decline of purpose-built rental housing since the cancellation of senior government tax incentives for rental apartments in the 1970's. Vancouver found that it could facilitate the creation of new rental housing through policy and regulation to help bridge the viability gap by making investments in rental projects more attractive to the development community.

The City of Vancouver provided the private sector with specific incentives to build purpose-built rental housing to provide developers with relief from specific development fees and charges, including:

- Waiving of Development Cost Levies;
- Parking requirement reductions;
- Relaxation of unit size to 320 sq. ft. (provided design and location meet the City's liveability criteria);
- Additional density beyond what is available under existing zoning (for projects requiring a rezoning); and
- Concurrent processing (for projects requiring a rezoning)²².

²⁰ Metro Vancouver Regional Housing, "What Works: Affordable Housing Initiatives in Metro Vancouver Municipalities," (2012) 13.

²¹ Ibid

²² Ibid

The City of Toronto recognizes the importance of creating a competitive landscape to attract industrial and commercial development that, as part of a package, is part of its economic development strategy. The City has made a clear statement of supporting business growth in the City by exempting certain types of this development from development charges.

The City of Toronto provides an exemption from development charges for:

- Industrial uses
- Buildings approved for a grant under the Imagination, Manufacturing, Innovation and Technology Property Tax Incentive Program
- Buildings owned by and used for a college and university
- Any non-residential floor area located above or below the ground floor (only the floor area located on the ground floor is subject to the charge)

In addition, in support of the City's environmental sustainability goals, the City also offers a 20% rebate on development charges for developments that meet the more stringent, but optional, requirements in its Toronto Green Standard guidelines for development.

Source: www.toronto.ca/business

Vancouver has recognized that all new rental housing ultimately helps improve affordability. Affordability will be achieved primarily through the tenure, as renting is inherently less expensive than owning. In addition, affordability will be attained through reduced parking, modest size, limited on-site common amenities, level of finishing, and other design considerations.

FRPO believes this model of partnership between the government and the private sector through affordable rental housing agreements would help the government to achieve its goals of reducing poverty and improving quality of life.

2. DEVELOPMENT CHARGES

The province gives municipalities the authority to levy development charges through the *Development Charges Act*. The intention is that municipalities can recover infrastructure costs that may be required to accommodate new development. There are specific requirements for how collected funds may be used; municipalities are required to set up a reserve fund for each service to which the development charge relates and these funds are not permitted to be used for operating costs or upgrading infrastructure. For a new apartment building in Toronto, upfront development taxes are \$15,265 for each new 2-bedroom unit (\$3 million for a 200-unit building).²³

Municipalities also have the right to raise development charges as they determine to be necessary; however these increases are unpredictable and can be costly. This continued increase of these charges, in some cases by as much as 145 percent, has served to make development considerably more expensive.²⁴

The Act does not require that municipalities levy these charges, but rather it is a tool that municipalities have available to them to pay for the capital costs associated with growth. Consequently, municipalities have the discretion to exempt certain types of development from paying development charges.

Like many municipalities, the City of Ottawa has a series of exemptions already contained within their development charges bylaw. For example, it is not uncommon for municipalities to exempt places of worship or agricultural buildings. These exemptions recognize a situation in which these desirable and important uses contribute to the community but cannot financially sustain the charges associated with development. Furthermore, the City of Ottawa has passed a bylaw, using the authority granted them in the Act, to reduce the development charges on growth on brownfield sites.²⁵ It is commonly understood that adaptive re-use of these remediated sites has a number of environmental and city-building goals; but it can be a difficult financial decision to make when the risks and costs are significantly higher than unfettered land.

²³ Altus Group, July 23, 2013, "Government Charges and Fees on New Homes in the Greater Toronto Area",

²⁴ Kemerer, Marc. "The Rise and Fall and Continued Rise of Development Charges". *Blaneys on Buildings* (2011).

²⁵ City of Ottawa, "7.0 Development Charge Reduction Program (Brownfields)" <http://ottawa.ca/en/brownfields-redevelopment-program/70-development-charge-reduction-program-brownfields>

On the other hand, there are significant benefits to supporting brownfield redevelopments and the City of Ottawa, like other municipalities, has used one of the tools at its disposal to support these types of projects.

Some of Ontario's municipalities provide development charge exemptions to non-profit, senior, or low-income housing. Most importantly, these types of exemptions are not consistently applied to each of the above housing types. So while one municipality may exempt non-profit housing, an adjacent municipality may exempt non-profit and low-income housing. More confusing still is that other municipalities may not provide for these types of exemptions, or they are considered through a complex application process. This inconsistency in approach makes development planning and execution difficult for the private sector providers.

As previously discussed, rental housing is one of the most important affordable housing options for a variety of reasons. The current development charge system can have a negative impact so significant that it can render a project financially unviable. The housing type that is the most frequent victim of this scenario is rental; it is not a coincidence that as municipalities have continually increased development charges over the years, there has been a critically low level of construction of new rental housing. The supply of the most affordable housing type has been impacted.

3. POST-1991 EXEMPTION

In addition to affordable rental housing agreements, the government can provide further relief to the cost of building new purpose-built rental units by maintaining the post-1991 rent exemption policy under the Rental Tenancies Act.

As a partial recognition that rent control policies of the past had hampered the development of new purpose-built rental housing units, the provincial government exempted rental units built after November 1991 to be exempt from the annual guideline increase.

When the Ontario government introduced rent control in 1975, the number of new purpose-built rental housing starts dropped by more than half – from over 100,000 units from 1971 – 1975 to less than 50,000 from 1976 – 1980.²⁶ The post-1991 exemption was created and maintained by the current government in order to stimulate the development of new purpose-built rental units.

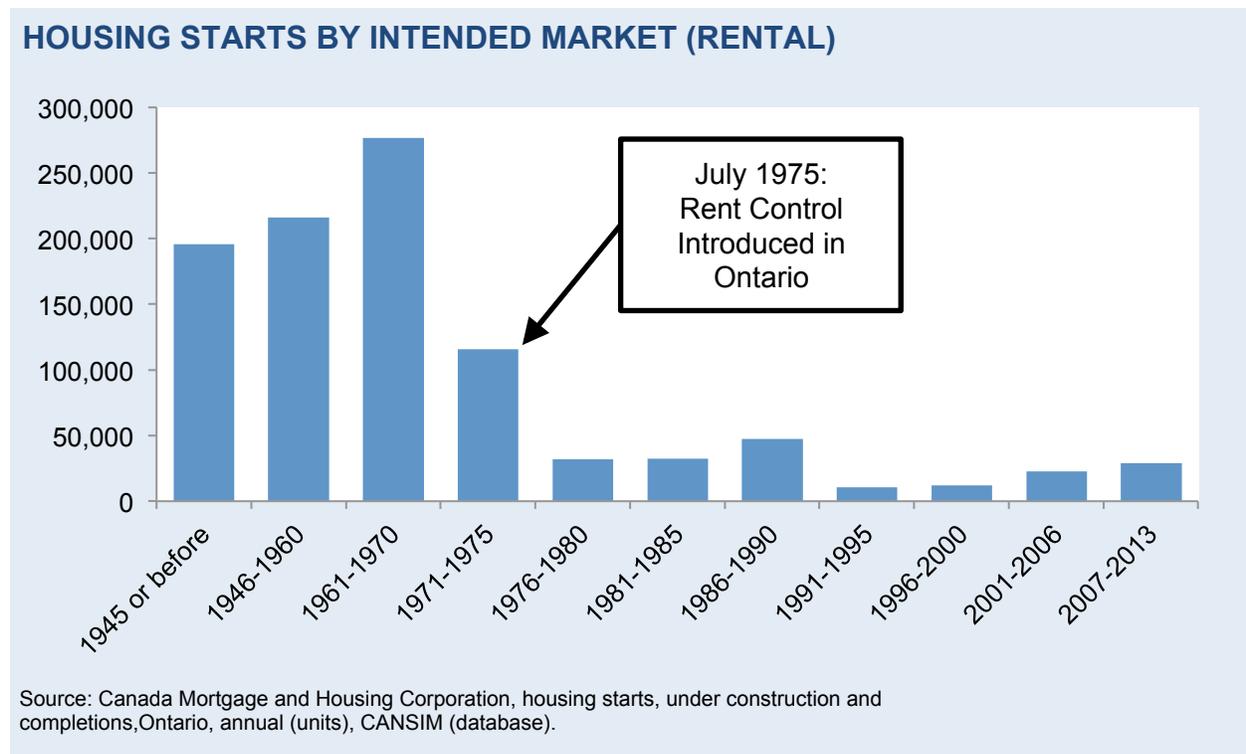
Construction of new rental housing requires major financial risk and capital investment, and is only viable with the assurance of long-term economic returns. Ontario's post-1991 new development policy remains the only government inducement for building new rental housing in this province.

²⁶ CMHC, Canadian Housing Observer 2014.

The post-1991 exemption has been successful in stimulating the growth of new rental housing. Between 2006 and 2012, over 56,000 new rental housing units were constructed in Ontario, creating over 33,000 full time jobs.²⁷

Allowing free market conditions to dictate rental rates has not resulted in a spike in rent prices. Instead, it has allowed the industry to respond to the growing demand for rental housing in Ontario and provide a more affordable housing alternative for thousands of families and individuals.

FRPO recognizes however that the new construction of rental housing has not kept up with the demand for new purpose-built rental housing. By maintaining the post-1991 exemption, the government will continue to provide a long-term commitment that will provide developers with confidence in the rental market and help to stimulate new construction.



4. SECTION 37 – DENSITY BONUSING FEES

Those involved in the development process are certainly familiar with Section 37 of the *Planning Act*, which grants municipalities the authority to pass a bylaw to increase the height and density of development from what is permitted in the zoning bylaw in exchange for community

²⁷ FRPO and KPMG “Economic Impact Assessment Study – Ontario Rental Housing Sector, (January 2013).

benefits. It has long been the contention of developers that a great deal of unfairness is involved in this process – and indeed, it lacks clarity, consistency, and transparency.²⁸

There is no set formula for the calculation of Section 37 benefits and consequently it is an “unknown cost” to developers often until late in the planning approvals process. The negotiation on both the amount and allocation of the Section 37 benefits is on a strictly case-by-case basis, and involves the local planner, the local Councillor and the developer with varying levels of engagement. In some cases, community groups may be involved in helping to determine where the community is most in need of these benefits, but again, there is no set practice or custom of this type of consultation occurring.

HOUSING OPTIONS – COMMUNITY BENEFIT

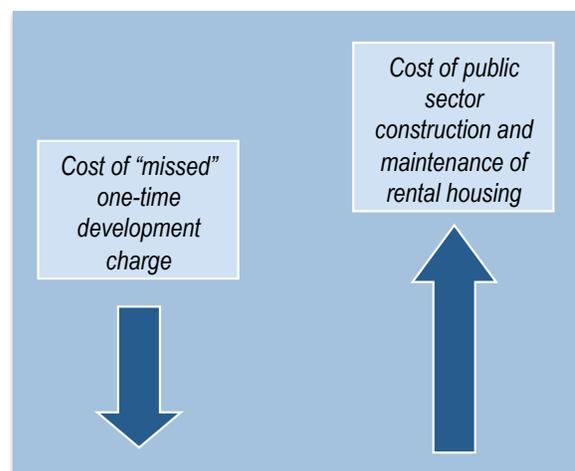
Many municipalities consider the inclusion of affordable housing in a new development an eligible Section 37 community benefit.

What this demonstrates is that housing options can be considered to be a community benefit; the more supply available, the greater the market will be able to support demand in all income ranges.

From one development to the next, even in the same area of the same municipality, there is very little consistency on how Section 37 contributions are agreed upon. The net effect of this uncertainty is that it becomes an unknown cost to be factored in to the development process and one which can also have challenging consequences on the affordability of rental housing projects. In reality, rental housing can be considered as a community benefit in this context. In Ontario, between 2006 and 2010, nearly 90,000 condominium units were built, compared with about 20,000 rental units.²⁹ Increasing the range and type of housing options improves the community, making it stronger and more viable. Consequently, it would be appropriate to exempt rental housing developments from the Section 37 process, in recognition of the important contribution that these projects make to the housing supply in a community.

Exemptions – The More Affordable Alternative

Various stakeholders in the development process may express concern that exempting rental housing from development charges and Section 37 would force municipalities into a disadvantaged position, with less money to pay for the infrastructure needed to support growth and fewer community benefits to accommodate integrating the new development into the existing community. However, a closer examination of the high costs associated with government-



²⁸ Tang, Isaac. “Critics weigh in on Section 37 Agreements”. *The Lawyers Weekly*. (2012) Vol 32, No 9.

²⁹ Cote and Tam. “Affordable Housing in Ontario: Mobilizing Private Capital in an Era of Public Constraint”. *IMFG Perspectives*, (2013) No 3.

constructed social housing indicates that scenario may not prove true.

In fact, it is the more likely case that the low cost of a “missed” development charge bringing the high benefit of private sector development is significantly more affordable from a government perspective than the high cost of the government financing the building of new rental housing. Experience has proven that public sector constructed affordable housing projects are costly to the taxpayer and may not always meet the right needs of their target stakeholder. Furthermore, allowing the private sector to fulfill this need also ensures that the government is then not hamstrung with the ongoing maintenance and operation costs. Alleviating the financial stress on the public sector, when combined with the societal benefits of increasing rental housing, makes for a strong case for exempting rental housing projects from the one-time development charge payment.

5. PROPERTY TAX AND ASSESSMENT OF MULTI-RESIDENTIAL BUILDINGS

As demonstrated previously, Ontario’s rental housing industry is an important economic driver contributing \$6.45 billion in tax revenues in this province alone. This is more than the agriculture and food, arts and culture, mining, and aerospace industries combined. The provincial government and Ontario residents would benefit from greater investment in the rental housing market, which would increase provincial revenues and allow the province to invest in priorities such as infrastructure, health care, and education.

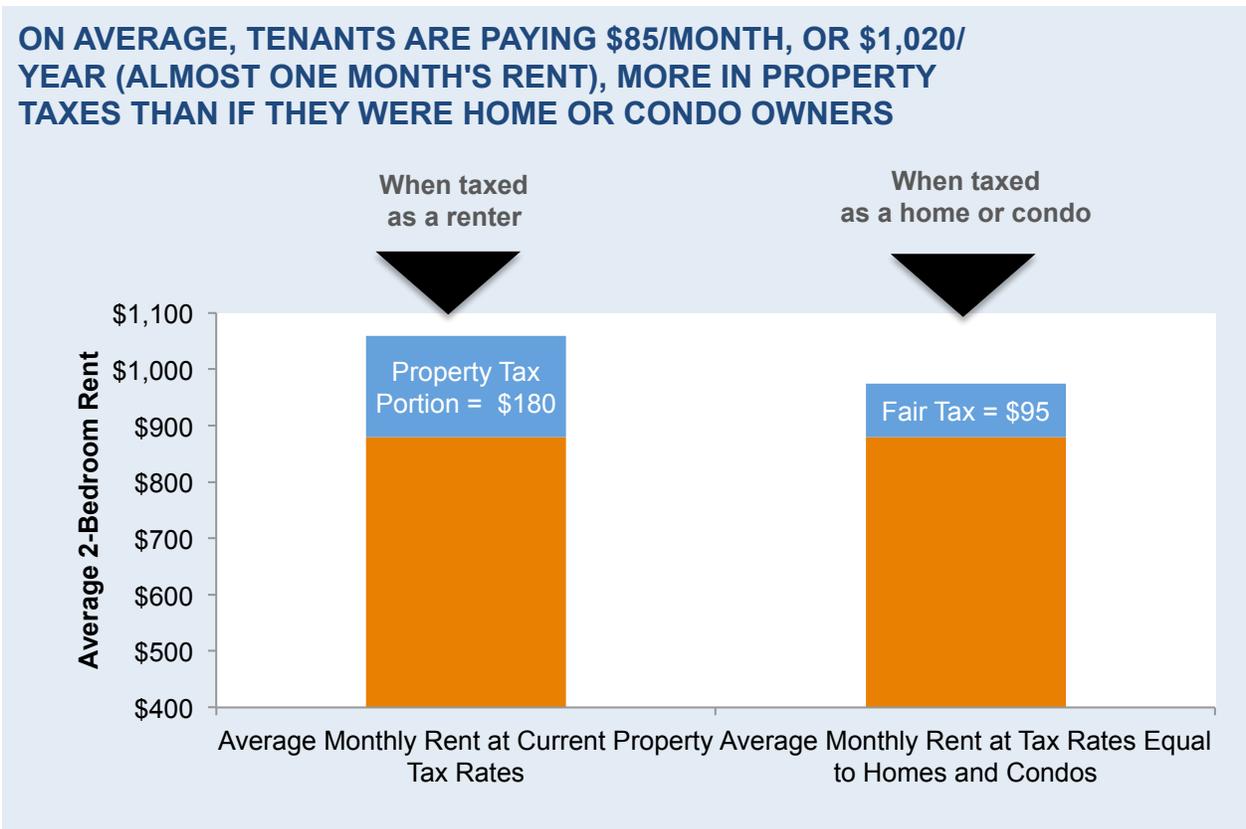
However the province’s taxation policies, including the unfair property tax assessment of multi-residential properties in Ontario, are barriers to growth for rental housing developers. The province should make changes to taxation policies that would allow the building of new purpose-built rental housing to be more economical for developers, and ultimately reduce the costs of rents for tenants.

Ontario’s property tax system is unfair to tenants

One of the most significant housing affordability measures the provincial government could implement would be a mandatory requirement for municipalities to remove the unfavourable property tax treatment of multi-residential properties. In Ontario, the average tenant faces a property tax rate of 1.78 percent of the current value assessment of their home. In contrast, the average homeowner in Ontario pays a property tax rate of 0.68 percent. On average, Ontario tenants are paying twice the property tax rate through their rent compared to the rate paid by homeowners. This inequity on tenants is unacceptable.

If tenants in Ontario were charged the same property tax rate as homeowners, it would result in an \$85 reduction in the monthly property tax paid by each tenant, or an average savings per tenant of \$1,020 annually. There is no policy justification for the regressive nature of municipal property tax rates on multi-residential properties that unfairly shift a higher tax burden onto renters compared to single-family home residents. Tenants bear the full costs of property taxes through their rent and would directly and quickly benefit from adoption of fair tax rates. Under the *Residential Tenancies Act*, property tax reductions must be passed on to tenants through immediate rent reductions.

When the average rent on a two-bedroom apartment is \$1,050 per month, the annual overpayment of \$1,020 in property taxes due to unfair tax rates is the equivalent of Ontario tenants paying 13 months of rent every year.



Issues with the Gross Income Multiplier assessment method

The property tax assessment process in Ontario also puts tenants at a disadvantage. Ontario is the only jurisdiction that uses the *Gross Income Multiplier* (GIM) assessment method. When rental properties are incorrectly assessed, everyone bears the cost of filing appeals, which may increase the cost of rent for tenants. A 2014 research report commissioned by FRPO examined how other jurisdictions determined the taxation value of apartment buildings. The report, completed by the International Property Tax Institute (IPTI), found that the GIM method used in Ontario has been abandoned by most jurisdictions, including other Canadian provinces.

FRPO recommends that the province should amend the *Assessment Act* to allow new multi-residential rental developments (six or more units) to be assessed on current value upon occupancy of the structure, instead of prior to construction. This change would ensure greater accuracy of tax assessments based on rental income that is actually earned, and would reduce costly and lengthy appeals of property assessments.

In 2014, FRPO entered into a partnership arrangement with the Municipal Property Assessment Corporation (MPAC) and the Ontario Ministry of Finance to investigate and explore a more transparent and appropriate assessment method for apartment buildings.

The partnership between FRPO and MPAC will help to reduce costs for property managers and tenants by reducing the administrative burden required to determine the assessment value of apartment buildings. Under the new *Tenant Information Package* (TIP) process, the amount of data collection required by property managers for MPAC has been reduced from 10.7 million data points to 733,000 data points, a volume reduction of 93 percent. This is just one example of how outcomes can be improved when government and industry work together.

FRPO will continue to partner with the government to find ways to reduce the cost of appeals by improving the quality of the values returned in the assessment role.

In addition, changing the property tax classification for multi-residential properties to be equal with homes and condominiums during the new construction phase will increase affordability for tenants and help to reduce rents.

6. MUNICIPAL LICENSING

In January 2007, as part of its response to municipal concerns about municipal fiscal positions, the Ontario government provided municipalities with the authority to impose a fee-based licensing regime on the owners of residential apartment units. Most have not created such a regime. Nevertheless, some municipalities have imposed licensing schemes on the rental housing sector to generate additional municipal revenue, resulting in the unintended effect of reducing the supply and affordability of rental apartments.

Alleged benefits of licensing

Proponents of apartment licensing often reference licensing’s alleged ability to address the following municipal issues.³⁰ However, it has been found in all of these cases that there are more effective methods of addressing these issues associated with rental housing:

MUNICIPAL ISSUE	CONCERN
Impact of off-campus student housing on surrounding communities	<ul style="list-style-type: none"> ▪ Targeting specific populations or specific types of housing with licensing has legal and policy risks. ▪ In North Bay and Oshawa, targeting students through a rental unit licensing regime was seen as a potentially discriminatory practice by the Ontario Human Rights Commission. ▪ Many cities have developed more sophisticated, multi-faceted approaches to addressing this issue.

³⁰ Fenn, Michael & FRPO, “A Review of the Effectiveness and Implications of Municipal Licensing of Residential Apartments,” (September 2013).

MUNICIPAL ISSUE	CONCERN
Solution for problems associated with complaints from residents as well as landlords	<ul style="list-style-type: none"> ▪ There is a relatively small fraction of owners and tenants who seem to draw the majority of complaints to authorities. ▪ There has been success with pilot projects in targeted enforcement. ▪ Furthermore, there is more industry associations can do to promote standards for their members and to support public authorities.
Inadequate enforcement of a number of municipal and provincial regulations and policies in the housing and property-standards field	<ul style="list-style-type: none"> ▪ Despite the multitude of regulations and policies in the space, many are ignored in practice or are inadequately enforced. ▪ Licensing is seen as a comprehensive solution for all of the issues with civic inspection and enforcement. ▪ It was found in some municipalities (that considered licensing) that vigorous, priority-based inspection and prosecution was very effective in dealing with the situations that generate the most complaints. ▪ Furthermore, some innovative municipalities, like Hamilton, have set up special programs where enforcement staff setup- special enforcement programs for apartment buildings, circulating information and soliciting input from tenants and neighbours. ▪ These programs are quite effective, and can be done at low cost to municipalities.
Ontario Landlord Tenant Board processes perceived as ineffective	<ul style="list-style-type: none"> ▪ Data from the Landlord and Tenant Board (LTB) shows that the LTB does in fact address a significant body of tenant-initiated cases relating to matters such as maintenance concerns, tenants rights, rent rebates, etc.

Finally, apartment licensing is perceived by some municipalities as an efficient source of net new revenues for municipalities. This is simply not accurate. Revenues from licensing would not justify the expenditure incurred to collect them. Secondly, a licensing regime would likely have side-effects that increase costs elsewhere.³¹ Municipal licensing regimes place a financial burden on landlords that would likely be passed on to tenants – increasing the cost of real rents.

³¹ Ibid

Licensing has been used as a tool to deter creation of new rental units in existing neighbourhoods

Licensing has been advanced by some as a tool to reduce or control the creation of:

- Supplementary apartment units in single-family homes;
- In-filling with new duplex and multiplex units; and
- Re-purposing of non-residential buildings used for residential use

Rather than imposing significant regulatory requirements and costs through apartment licensing, municipalities need to ensure that the cost to the homeowner or small property owner is commensurate with the economic opportunity of offering affordable rental accommodation.³²

Licensing on existing rental housing market

Some municipalities have used this lack of housing supply to justify increased regulatory protection to preserve existing rental housing stock.

One of the consequences of licensing residential rental units is the resulting “business decision” taken by the property owner either to comply with new licensing requirements, or to discontinue the rental use.

For example, there are as many as 23,000 individual “unregistered” rental units in the City of Hamilton. If licensing contributes to a loss of these units in the regional housing market (Hamilton staff estimated 30 percent shrinkage), the consequences are significant for the volume of rental units available to serve low-income individuals, families, and post-secondary students, as well as for the rental rates demanded for the remaining units.³³

If being captured by an apartment licensing by-law also entails other approvals and development-related levies, there would be an even greater disincentive to maintain that rental unit.

If a licensing bylaw has the effect of reducing the number of rental units, the reduced supply would apply pressure on rents to rise, particularly for affordable units. Additionally, if the units go underground, then the outcome of penalizing law-abiding owners with fees and compliance costs is questionable.

Implications on new rental housing supply

Evidence appears to suggest that apartment licensing is not the best solution to address any of the major issues that it attempts to resolve. This scheme creates unintended negative effects on

³² Ibid

³³ Ibid

the local rental housing marketplace – for owners of major apartment buildings and on individual property owners or investors. It does not protect tenants (and prospective tenants), and actually puts pressure on rents, reducing housing choices. Importantly, licensing further discourages the private sector from investment in new rental housing supply.³⁴

It is clear that there are better tools to address problems in the rental housing sectors – as has been done in innovative municipalities in Ontario.

GOVERNMENT INVESTMENT TO IMPROVE HOUSING AFFORDABILITY

The policy options outlined in this report are designed to enable government to stimulate the construction of purpose-built rent housing, a viable housing option for many households seeking an affordable alternative to the high cost of home ownership. These policy options allow the government to do so with no direct investment dollars.

However, in order to stimulate the construction of below market-rent units, governments will have to provide significant operating and/or capital dollars to reduce rents for low-income tenants.

GREATER ASSISTANCE IS REQUIRED TO REDUCE RENTS

In order to stimulate private-sector development of below market-rate rental housing, developers would require additional capital funding from the government, as the current costs of land acquisition and construction are simply too high to allow developers to charge tenants below market-rate rents.

A recent example of a successful public-private partnership to build new affordable housing is the development of 100 Lower Ossington Ave in Toronto. The partnership between Greenwin and the provincial, federal and municipal governments built 179 new affordable rental units in a desirable and transit accessible community, downtown Toronto.

The federal and provincial government provided \$21.4 million in funding to subsidize the cost of construction of these units. In addition, the City of Toronto forgave development charges, property taxes and Section 37 fees to reduce the costs of development.

The private sector is eager to work with the government to encourage more development of new affordable housing for those living in poverty to reduce homelessness. The reality is that these projects cannot be built without substantial investment from each level of government in order to keep rents at a rate that the lowest-income Ontarians can afford. That is why FRPO recommends, among other things, for the government to consider long-term land-lease arrangements with private sector developers, which can be used to create new, more affordable housing units now by making use of land owned by these two levels of government.

³⁴ Ibid

At the end of the lease term, the asset is turned over to the land owner, and the land asset remains in public hands. This is something that the provincial and municipal levels of government could do now to help meet the demand for more affordable rental units.

ONTARIO HOUSING BENEFIT

FRPO, along with a coalition of industry and community organizations, continues to support the Ontario government's decision to explore an Ontario Housing Benefit as a way to help low income Ontarians pay for rental housing costs in the immediate term.

For an annual investment of \$60 million a year, or less than the government's annual budget for affordable housing, the government could provide immediate assistance to 10,000 low income households through an Ontario Housing Benefit.

The implementation of such Housing Benefit would be an effective way to lower the extreme waiting lists for affordable housing, improve socio-economic outcomes for thousands of households, and allow the government to focus on repairing its existing housing stock.

Overall, an Ontario Housing Benefit can reduce financial barriers that exist for people when they try to move from social assistance to employment. One of the best features of an Ontario Housing Benefit is that it addresses the root cause of housing affordability problems, which is low household income relative to shelter costs.

The provincial government's own Social Assistance Review, *Brighter Prospects: Transforming Social Assistance in Ontario* found that a housing benefit would help low-income individuals get access to affordable stable and affordable housing, enabling them to find work.³⁵ The Lankin and Sheikh report also suggested that a housing benefit should be available to all people with low-incomes through a model similar to the Ontario Trillium Benefit.³⁶

A housing benefit also achieves the government's goals to use a "housing-first" approach under the Long-Term Affordable Housing Strategy. A housing benefit would put all low-income tenants first, by eliminating long waiting lists for housing and would provide financial security and stability for low-income people eliminating the threat of homelessness.

The benefit can vary according to city size, family size, a tenant's income and rent paid. Housing benefits have been shown to be effective anti-poverty tools in other jurisdictions, including Quebec, Manitoba and British Columbia. It's time for Ontario to catch up.

Unlike other provinces, the only permanent housing benefit provided in Ontario is paid exclusively to social assistance recipients. There is currently no housing-related income program to help the working poor in Ontario. This acts as a barrier to employment, making the transition from social assistance to the labour market very difficult.

³⁵ Lankin & Sheikh, "Brighter Prospects: Transforming Social Assistance in Ontario," (October 2012).

³⁶ Ibid

FRPO supports a new housing benefit that helps not just OW/ODSP recipients, but also the working poor, residents of social housing who are paying market rents, and those at risk of homelessness.

FRPO recommends that the Ontario government implement a new monthly Housing Benefit to help Ontario achieve its poverty reduction and housing affordability objectives by extending housing assistance to the working poor to reduce high shelter burdens, decrease the risk of homelessness, and minimize dependence on Ontario Works.

CONCLUSION

Every household in Ontario should have access to safe and stable housing that is affordable at every income level. As the cost of housing continues to rise in this province, rental housing has become the most affordable option for many Ontario households. FRPO has outlined comprehensive opportunities for the Ontario government to stimulate the private sector development of new rental housing that is accessible, convenient, and affordable for every person and family in need of housing in Ontario.

In Ontario, there currently exist several barriers to the development of new purpose-built rental housing that have prevented the growth of the rental housing sector, despite the increased demand for rental housing.

Stimulating the growth of the rental housing sector will benefit tenants, as well as the government by providing economic growth, new sources of revenue and creating thousands of jobs in the construction industry.

Government cannot do it “on its own” and, indeed, the municipal sector has a role to play:

There is a growing consensus that municipalities must move towards a new role of local partnerships with community groups and the private sector. Municipalities are no longer in a position to undertake housing development directly on their own, nor can they replace what has been lost due to the withdrawal of senior governments from the fields of social housing. However, municipalities can create a supportive planning and policy environment that facilitates the development of affordable housing by the private and non-profit sectors. Through the use of their regulatory, planning and fiscal powers, municipalities can be key partners in helping to create an equitable, healthy and balanced community.³⁷

This quote – still fresh, is now fifteen years old and shows how little has changed. In the years that have passed, ineffective solutions have made no dent in waiting lists.

³⁷ Tomalty, R., Hercz, A., and Spurr, P. “Municipal planning for affordable housing” (2001).

FRPO has put forward a short list of policy proposals to the government that are achievable and can be implemented immediately, with no cost to the government, in order to give the private sector increased confidence to invest in new rental housing.

Our policy proposals include:

- Affordable rental housing agreements
- Reducing development charges
- Preserving the 1991 rent-increase exemption
- Improving transparency of Section 37 agreements
- Changes to the Property Tax Assessment of multi-residential properties
- Eliminating municipal licensing of rental units

Removing the barriers to investment that FRPO has comprehensively outlined in this paper would be a clarion call from the Province to homebuilders to keep investment capital in our province and to signal to the private sector that investing in affordable housing is a financially responsible, long-term stable business opportunity.

The private sector has a role to play in the development of new purpose-built rental housing in Ontario. FRPO will continue to work with our partners in the non-for-profit housing sector, home builders, and different levels of government to advocate for changes that will improve the availability of rental housing that is affordable for all tenants in Ontario. Working together, we can deliver cost efficient, affordable housing solutions for the long term