

June 29, 2015

REMOVING BARRIERS TO PRIVATE SECTOR CONSTRUCTION OF NEW RENTAL HOUSING SUPPLY

Every household in Ontario should have access to safe and stable housing that is affordable at every income level. The government and rental housing providers each have a role to play to improve access to affordable rental housing, yet supply has not kept up with demand.

While governments have proposed different solutions, wait lists for affordable housing continue to grow. As the cost of buying a home continues to rise, rental housing has become the most affordable option for many Ontario households.

In an era where government has limited funding to invest, FRPO has put forward a series of proposals that are an achievable and affordable way for the government to stimulate the development of new rental housing.

Ontario can help to enable the construction of new quality rental housing for people at all income levels that in turn create healthy communities. Supporting the building of new rental housing will help improve housing affordability, while creating good jobs and growing the economy.

By working together, with clear roles and responsibilities, we can find better ways to deliver long term, cost-efficient, affordable housing solutions that will improve housing affordability for Ontarians.

On June 29, 2015 FRPO responded to the Ontario government's public consultation for a renewed Long-Term Affordable Housing Strategy with a comprehensive list of policy proposals that are achievable and can be implemented immediately, with little to no cost to the government, to reduce the cost of delivering long-term affordable housing solutions and give the private sector increased confidence to invest in new rental housing.

Government actions recommended by FRPO include:

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

ACTIONS GOVERNMENT CAN TAKE NOW

Work with the private sector to create affordable rental housing agreements

New long-term rental housing agreements will encourage the development of new purpose-built rental housing for low- and medium-income earners in communities across Ontario. FRPO believes that adopting a model of incentives and waivers similar to Vancouver's Rental 100 Program model of incentives and waivers could create up to 90,000 new homes in Ontario.

Reduce 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. To stimulate new units, the government should provide exemptions for the construction of new purpose-built rental housing, including brownfield development, unit size restrictions, and ground floor development.

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 and is a substantial impediment to investment. A [public/legislated] commitment to maintain 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 the burden of planning and density-bonusing fees (Section 37)

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.

Make changes to property tax and assessment policies to ensure fairness for tenants and hurt development

Current tax policy allows the majority of municipalities in Ontario to levy higher, inequitable property tax rates on multi-residential units causing the average tenant to pay on average twice the property tax rate of a house or condominium (www.fairtaxfairrent.ca). A typical tenant in a two-bedroom apartment in Ontario pays \$1,020 more in property tax every year than they should if multi-family rental buildings were taxed at the same rate as a home or condominium. Since the average monthly rent for a two-bedroom apartment in Ontario is \$1,050, this overpayment on property taxes causes an average tenant to pay 13 months of rent every calendar year. FRPO members believe a home is a home, and welcome the opportunity to pass through any reduction in property taxes to tenants.

FRPO is also working with the Municipal Property Assessment Corporation (MPAC) to evaluate alternative assessment methodologies that would assist in returning fair and accurate property assessment values, thereby reducing the need for lengthy and costly assessment appeals.

Under the current *Assessment Act*, higher property tax rates are levied as soon as a builder receives zoning approval to build a new multi-residential community, before the building is even built and rent is being collected. This only serves to increase the rent tenants ultimately are charged to pay for these higher property taxes. Making this simple legislative amendment would see immediate property tax relief and result in lower rents being charged when the unit is ready for occupancy.

Eliminate expensive municipal rental housing licensing schemes

Protect new rental housing from inconsistent and expensive licensing schemes 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.

FRPO believes that the measures above are a number of government levers that could unlock private capital to build more purpose-built rental housing. FRPO has focused on solutions that the government can take immediately, without investment in capital dollars, which would encourage the development industry to invest in new purpose-built rental stock.

Combined, these changes will provide important long-term assurances in the rental market and will help to reduce the cost of construction, maintenance and administration of purpose-built rental housing to a point that will make renting these new units an affordable alternative to home ownership for many Ontarians. Stimulating growth of the rental housing sector will further benefit all parties, providing economic growth, new sources of government revenue and thousands of well-paying jobs in the construction industry.

WHERE GREATER GOVERNMENT FOCUS IS REQUIRED

Rents That Ontarians Can Afford

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 the cost of land acquisition and construction of these projects cannot be built without substantial capital investment from governments 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. 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

The government could provide immediate assistance to 10,000 low-income households through an *Ontario Housing Benefit*, helping to reduce financial barriers that exist for people when they try to move from social assistance to employment. FRPO recommends that the Ontario government implement a new monthly 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.

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.

FRPO remains committed to working with our partners in the non-profit and government sector to find better ways to bring the right housing solutions to all tenants in Ontario and to improve housing affordability for all Ontarians. Working together, we can *build Ontario up* to deliver long-term cost efficient affordable housing solutions.

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Contact: Scott Andison
President & CEO

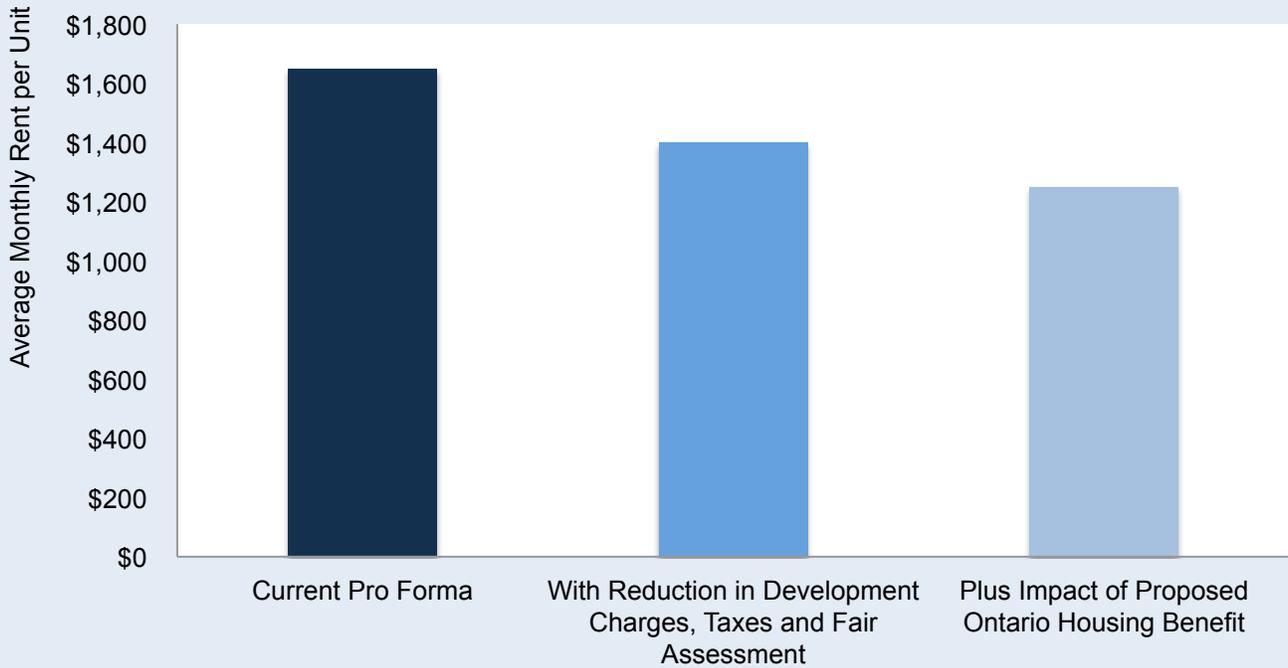
Tel: (416) 385-1100 x20
Email: sandison@frpo.org

Mike Chopowick
VP, Government & Industry Rel'ns

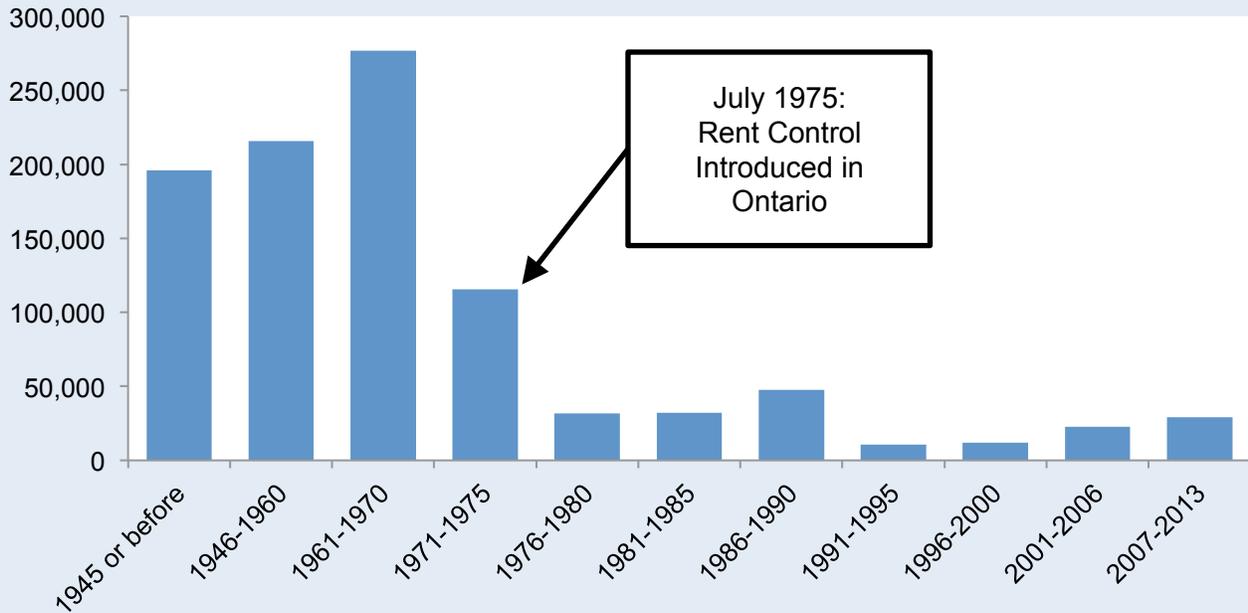
Tel: (416) 385-1100 x21
Email: mchopowick@frpo.org

KEY CHARTS & DATA

FIRST YEAR AVERAGE RENTS: NEW PURPOSE-BUILT RENTAL (TORONTO)

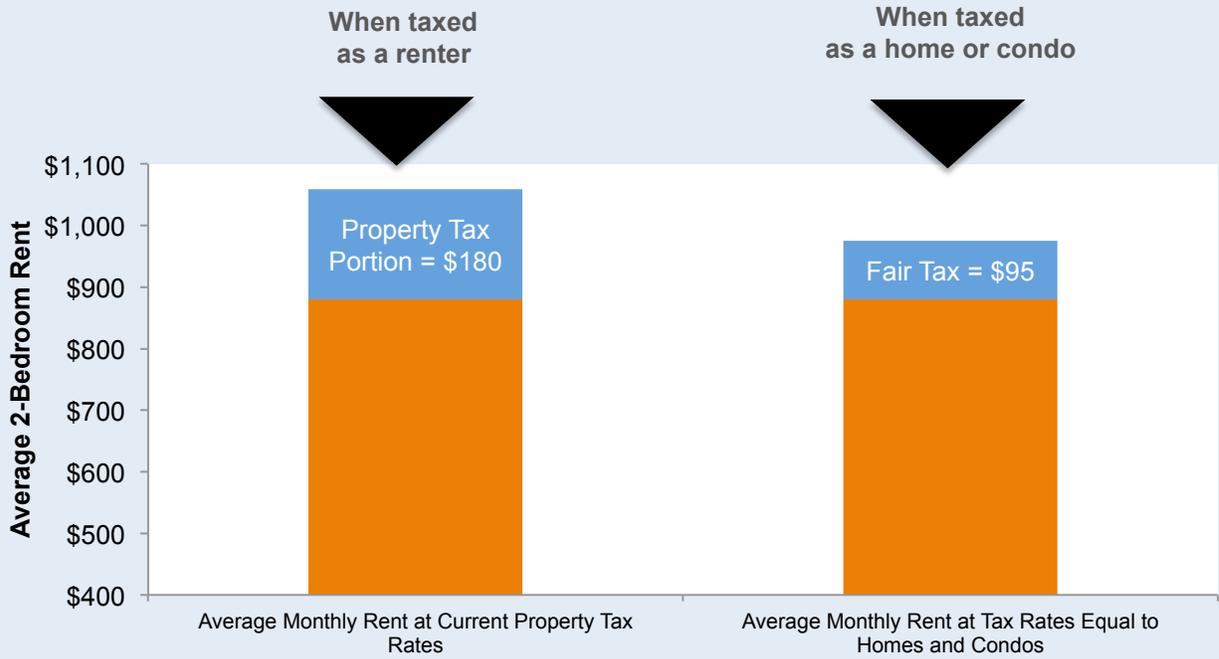


HOUSING STARTS BY INTENDED MARKET (RENTAL)

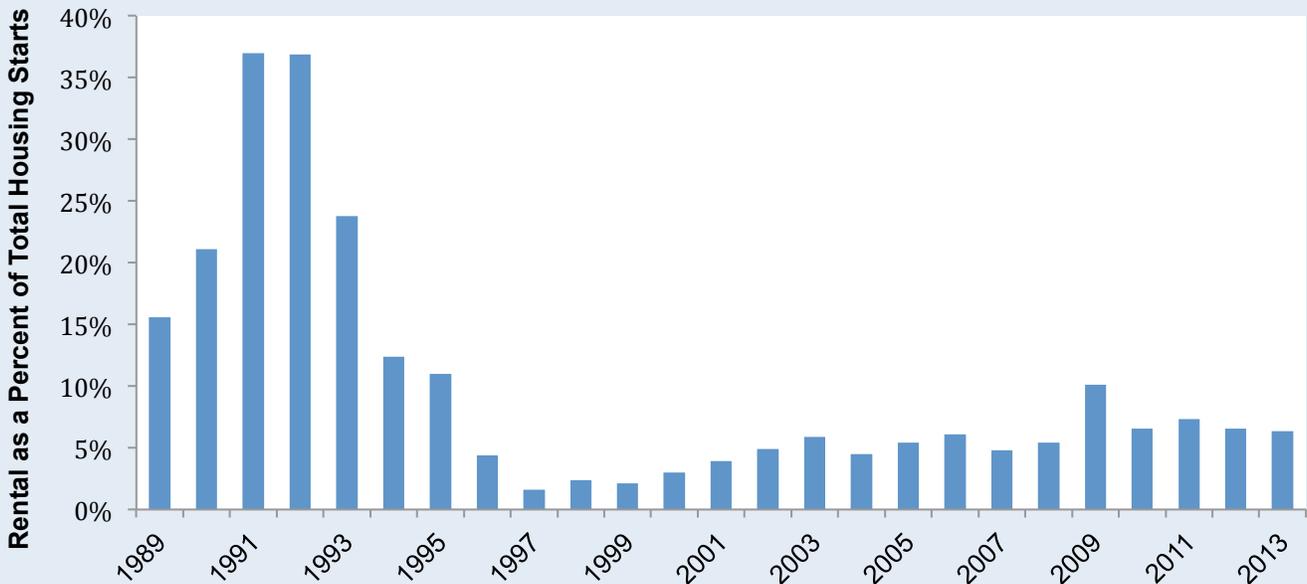


Source: Canada Mortgage and Housing Corporation, housing starts, under construction and completions, Ontario, annual (units), CANSIM (database).

ON AVERAGE, TENANTS ARE PAYING \$85/MONTH, OR \$1,020/YEAR (ALMOST ONE MONTH'S RENT), MORE IN PROPERTY TAXES THAN IF THEY WERE HOME OR CONDO OWNERS



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.