RENTAL HOUSING AFFORDABILITY

WHERE DO THINGS STAND?

PM Expo 2016
Scott Andison
President & CEO
Describing the state of rental housing in Ontario

- What have governments committed to?
- What have been the results?
- What should be done now?
What have governments committed to?

**Ontario**

Every person has an affordable, suitable and adequate home to provide the foundation to secure employment, raise a family and build strong communities.

**Toronto**

Fair access to a full range of housing is fundamental to strengthening our economy, environmental efforts, and the health and social well-being of residents and communities.
The journey of rental housing supply in Ontario

A *bumpy road*…

**1960s**
- Small income gap between home owners and renters (20%)
- Higher vacancy rates – market could function
- Federal gov’t building public housing

**1970s**
- Condominium legislation introduced
- Growing land speculation – baby boomers driving up land and housing prices
- High interest rate period (21% era)

**1980s**
- Home owners had double the income of renters
- Fewer developers building rental housing under these conditions
- Growth of governments tinkering in the housing market to try to promote new affordable supply
THE ONTARIO RENTAL MARKET

ONTARIO

37% of Canadian households
39% of Canadian population
30% of Ontario households rent
  2% avg provincial vacancy rate
$1,200 avg rent (2 bdrm)
Economic impact of Ontario’s rental housing industry (2015)

- **$23.4B GDP**
- **$7.4B cap ex**
- **$8.3B gov’t taxes**
- **162,000 jobs**

- **More annual capital investment than the Ontario gov’t in GO Transit & provincial highways combined**
- **Contribute more to the economy than the wireless telecom industry, & almost 3 times as much as the defence & security industry**
Ontario mulls changes to rental rules, prompting concern from tenants groups

By Mike Crawley, John Nitsch, CBC News  |  Posted: Apr 21, 2016 8:00 AM ET  |  Last Updated: Apr 21, 2016 8:57 AM ET

Ontario promises housing affordability: symbolic, not necessarily effective

LORINC: Housing affordability, not hydro bills, is what’s really hurting Ontario

SEPTEMBER 14, 2016 | BY JOHN LORINC

Ontario’s Affordable Housing Crisis Is Centred In Rented Sector: New Report

New Rental Housing Index shows Crisis Level of Spending across Canada

Posted September 10, 2015

Toronto housing supply shortage driving skyrocketing prices, studies say

WOULD MORE RENTAL UNITS MAKE THE GTA MORE AFFORDABLE?

Staff / August 16, 2016

Ontario's affordable housing wait list grows

Affordable housing wait lists in Ontario continue to grow, but those numbers no longer tell the full story, according to the Ontario Non-Profit Housing Association.

TAMSIN MCMAHON - REAL ESTATE REPORTER
The Globe and Mail (includes correction)
**UNITED STATES**

Apartments and their residents contribute more than $3.5 billion to the economy every day.

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**DALLAS METRO AREA**

Learn how apartments and their residents strengthen the metro economy.

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Government family housing commitments

An interim report card

**THEN 2003**
Number of households on waiting lists in 2003
126,103

**NOW 2015**
Number of households on waiting lists in 2015
171,360

+36%

**Who’s waiting for housing assistance**
There are now 171,360 households on waiting lists for rent-geared-to-income housing in Ontario.

Proportion (%) by household type, 2015
- Seniors 32%
- Single adults and couples 37%
- Families 31%

Essentially even split between three community sector profiles
WHAT ARE SEEN AS THE BIGGEST ISSUES?

Affordability is biggest issue followed by availability of standard and low-income housing

- **Affordability – cost of rent**: 38%
- Availability - lack of rental housing/apartments: 8%
- Availability - low-income/subsidized/senior housing: 7%
- Landlord-tenant issues/rights: 7%
- Quality/livability - cleanliness/up to code: 4%
- Safety/security: 1%
- Unfair government regulations/waiting time: 1%
- Rent control: 1%
- Energy/hydro costs: 1%
- Other: 5%
- None: 13%
- Don't know: 13%
The Government of Ontario has initiated numerous interventions in the market in an attempt to address housing affordability and availability

- Direct investment in hundreds of thousands of social housing units
- Income supplements
- Rent controls
- Progressive municipal authority affecting local development application approvals & fees
Government shocks to the Ontario rental housing market

**RENT CONTROL 1975**

- **First limit imposed on annual rent increases was 8% in 1975**

- **Significant downward trend over 42 years, with current limit set at 1.5% for 2017**

**42 Years of Rent Control**

**Allowable Annual Rent Increases**
Market supply response to rent controls

Number of Rental Units by Year of Construction (Ontario)

- 1945 or before
- 1946-1960
- 1961-1970
- 1971-1980
- 1981-1985
- 1986-1990
- 1991-1995
- 1996-2001
- 2001-2006
- 2007-2012

- Rent Control introduced in 1975
- Vacancy De-control introduced in 1998

Source: CMHC Housing Observer, 2013; KPMG 2013, "Economic Impact Assessment Study - Ontario Rental Housing Sector".
Downward trending vacancy rate means demand outpacing supply

Source: CMHC Fall RMS Survey
ANNUAL NEW APARTMENT UNIT COMPLETIONS HAS DECLINED OVER TIME

Source: CMHC Rental Housing Starts and Completions Survey
Rental demand continuing to outstrip supply in Ontario… *and it’s getting worse*

Source: CMHC Forecast 2011-16, Statistics Canada

*Does not include condominiums completed and available for rent*
Breaking down the facts for new rental development—A case study

**Development Chgs**

$30K/unit

**During development site**

assessed as revenue generating for property taxes

$3,400/unit

**Property taxes**

$2,500/yr or $200/mth per unit

**Delay of 2-3 years**

for zoning and site plan approval

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**PRO FORMA SUMMARY FOR NEW RENTAL HOUSING (2015)**

| Number of rental suites | 295 |
| Avg size per unit (sq ft) | 600 |
| Total gross leasable area | 230,000 sq ft |
| Net leasable area | 184,000 sq ft |

**DEVELOPMENT COSTS**

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<th>Description</th>
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<tr>
<td>General construction, excavation, shoring, concrete formwork, masonry, steel and balconies</td>
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<tr>
<td>Interior, carpentry, finishing, walls, flooring, ceilings, painting</td>
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<tr>
<td>Equipment: elevators, plumbing, electrical, sprinklers, ventilation</td>
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<tr>
<td>Soft Costs: planning, engineering, architect,</td>
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<tr>
<td>Development charges, municipal permit fees and charges</td>
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<tr>
<td>Other: Appliances, equipment, systems software</td>
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<tr>
<td>Other Taxes</td>
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<tr>
<td>Land</td>
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</tbody>
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| TOTAL DEVELOPMENT COSTS | $104,061,692 |
| COST PER SQ FT | $451 |
| COST PER UNIT | $351,841 |

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$1,475 - $1,800 mthly rent
Unfair property taxation on apartments

*Tenants paying 13 months of rent each calendar year*
Additional shocks to the Ontario rental housing market over time

- Runaway Development Charges
- Rising Energy Costs
- New Carbon Tax Pricing
- Municipal Licensing Fees/Costs
- Threats to Vacancy Decontrol & Post 1991 Exemption
- Broken Rent Dispute & Enforcement Process
- 2.5% Rent Cap
- Tax Incentives & Grants for New Supply
- Continuing Legislative Amendments & Reporting
GOVERNMENT JOB RATING

Strong majority say government doing too little to help low-income families and seniors

- **Immigrants**
  - Too much: 19%
  - The right amount: 31%
  - Too little: 28%
  - Don't know: 23%

- **Students**
  - Too much: 4%
  - The right amount: 31%
  - Too little: 46%
  - Don't know: 20%

- **Families**
  - Too much: 4%
  - The right amount: 31%
  - Too little: 50%
  - Don't know: 15%

- **Low income individuals and families**
  - Too much: 6%
  - The right amount: 19%
  - Too little: 60%
  - Don't know: 15%

- **Seniors**
  - Too much: 2%
  - The right amount: 22%
  - Too little: 61%
  - Don't know: 15%
Hope is on the horizon

- Announcement of new legislation in early 2017 to address issues related to the rent dispute process
- Admission that unfair property taxes on apartments are negatively affecting rental housing affordability
- Expansion of the use of portable housing benefits
- Creation of a bi-lateral partnership table between industry and government—joint issues resolution
- Evolving national housing strategy that may provide incentives and encourage more private sector housing stock to be built
More Rental Housing Creates Affordable Housing

1. Government should get out of the bricks and mortar business – *Let the private sector build and manage the bulk of the supply*

2. Rental units for low-income families most likely cannot be brand new units – *Rely on the trickle effect in the market to make affordable units become available, expand use of portable housing benefits*

3. Reduce regulations and financial disincentives to building new supply – *Build Ontario up again*

4. Commit to a partnership between industry and government - *Identify priorities and continue to remove barriers*
Scott Andison

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