



Federation of Rental-housing  
Providers of Ontario

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October 15, 2020

Hon. Rod Phillips  
Minister of Finance  
7<sup>th</sup> Floor – 7 Queen’s Park Cres  
Toronto, ON  
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Hon. Steve Clark  
Minister of Municipal Affairs and Housing  
17th Floor, 777 Bay Street  
Toronto, ON  
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***Re: FRPO Submission for Ontario Budget 2020***

**Executive Summary**

The Federation of Rental-housing Providers of Ontario (FRPO) is recommending the Ontario government take the following actions in the upcoming budget:

1. Create a program to address rental arrears accumulated during the current pandemic;
2. Address significant delays at the Landlord and Tenant Board (LTB);
3. Create a concierge service to expedite purpose-built rental housing approvals; and
4. Reduce government-imposed costs on new rental projects.

Dear Minister Phillips and Minister Clark,

On behalf of the Federation of Rental-housing Providers of Ontario (FRPO), I am providing our industry’s formal submission for consideration in the upcoming provincial budget. Our recommendations include measures arising from the current pandemic as well as longstanding policy issues within the rental housing sector.

As you are aware, FRPO has been the leading voice of the province’s rental housing industry for over 30 years. We are the premiere association in Ontario representing those who own, manage, build and finance, as well as those who service and supply residential rental units. We represent more than 2,200 members who own and/or manage over 350,000 units across the province. This amounts to approximately 25% of all residential leases in the province.

**RECOMMENDATION #1: CREATE A PROGRAM TO ADDRESS RENTAL ARREARS ACCUMULATED DURING THE CURRENT PANDEMIC**

**Background**

The COVID-19 pandemic has impacted thousands of families living in rental housing in the Province of Ontario. Many of our residents had their incomes drastically reduced due to necessary provincially imposed closure of businesses. Some still have not been able to get back into the workforce.

Most rental housing operators have been doing all they can to support their residents throughout this crisis. FRPO members have been offering rent deferrals and alternate payment plans, which effectively serve as zero-interest loans to their residents. Our members have been providing up-to-date information on government assistance programs and working diligently to ensure more frequent cleaning and sanitization of common areas takes place. In fact, we hear many stories of building staff helping seniors and those in self-isolation with grocery pick-ups and other essential items.

While many of our members have been able to provide a financial bridge to our residents through the deferred payment arrangements, we are now six full months into the crisis and these rent arrears are accumulating to a point of no return for many of our residents. For example, if a family lives in a \$2,000 a month rental unit and has not been able to pay rent since April 1<sup>st</sup>, they now owe \$12,000 in arrears – a number many will never be able to pay back.

FRPO has been surveying our membership every month since the crisis started to better understand the scale of this problem. Approximately seven percent of families have been unable to pay their full rent since the pandemic started. This represents 98,000 families in Ontario who are potentially at-risk with months of accumulated rent arrears.

Some of these families may eventually be able to repay the up to \$12,000 they owe, but many will have very little ability to ever repay this amount even if they are able to gain employment in the near future. We must remember that most Canadians are already living paycheque-to-paycheque during the best of times, so they have limited ability to payback arrears during these challenging times.

The rental housing industry's position has also weakened through the course of the pandemic. Our members are trying to continue to provide support for our residents such as the deferred payment plans, but the purpose-built rental business is a very low-margin business. Compared to last year, vacancy rates have risen, and operators are increasingly offering financial incentives such as one or more free months of rent to attract new residents. Rent collections from existing tenants have declined as residents are struggling to pay their bills due to loss of income. Processing times at the Landlord and Tenant Board are taking much longer, adding more cost to operators.

All these factors combined are serving to increase cost and reduce revenue for an already low margin business. Our industry has bridged many of our residents for over six months now but increasing costs and reduced revenues are making it increasingly challenging for our operators to continue to help residents without government support.

### **FRPO's Proposed Solution**

FRPO has been working with officials in the Ministry of Municipal Affairs and Housing to advance an **Ontario Rental Assistance Program (ORAP)** in order to address these arrears and give residents a fresh start on rent payments so they can continue living in their homes.

The industry has stepped up by providing support to bridge our residents to this point and we are willing to be a partner in a solution that helps families stay in their homes. However, we cannot do it without government support. Thousands of Ontario families are depending on this and we need a partner in government to address this issue.



*Share of Costs*

Our proposal effectively calls for a government program setup to share the cost of rent arrears among the three parties involved: the government, the industry and our residents.

There are various ways to approach the cost distribution, including:

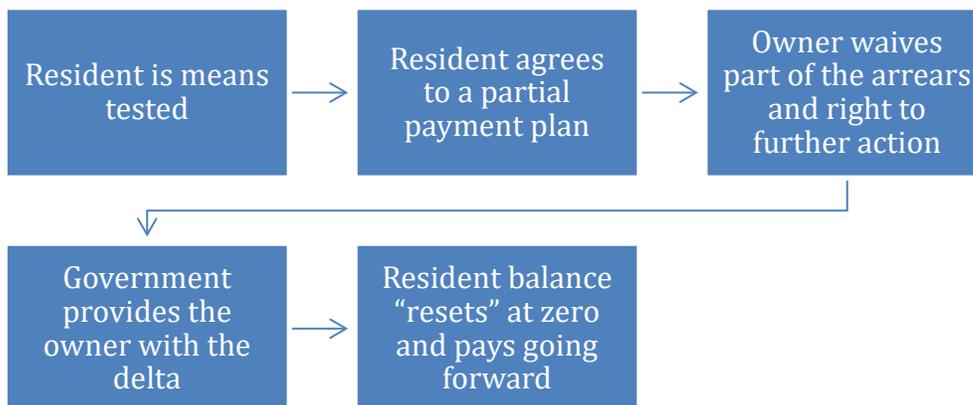
	Government	Industry	Resident
<b>*Replicating Canada Emergency Commercial Rent Assistance</b>	50%	25%	25%
<b>Creating equity among partners</b>	33%	33%	33%
<b>Varying support to accommodate different levels of need</b>	37% to 57%	33%	10% to 30%

\*There have been significant challenges with the program design of the CECRA. FRPO believes a residential rent support program must have a very distinct program design and is only highlighting the CECRA’s cost distribution among parties as an illustrative example and not endorsing its program design.

*The Concept*

In effect, ORAP would be a settlement program funded by all three parties which leads to a clean slate for a tenant – avoiding eviction due to non-payment during the COVID crisis and providing them with security in their housing.

The general concept is to have a resident-driven process that could be setup as follows:



*Resident Eligibility*

For simplicity, resident eligibility could be tied to whether the individual has received or is receiving income support from the federal government through programs such as the Canada Emergency Response Benefit (CERB) or Employment Insurance (EI). The individual could then only claim arrears



for the periods they received either of those benefits, in line with periods of time they had a substantial reduction in their income due to COVID-19.

There would need to be a back-end reconciliation system with income filed for the tax year 2020 to confirm that individuals did experience a reduction of income relative to the previous year. As a mechanism that seeks to embed a design element that ensures residents with ability to repay the arrears do not get a “free ride”, the construct could include a laddered claw-back through the tax system tied to actual level of income realized in 2020.

### *Program Administration*

Administration would be another key element of the program design should the government decide to proceed. The back-end reconciliation would be administered by the Canada Revenue Agency (CRA), but the provincial government potentially has three options for front-end administration of the program:

- building up capacity internally within the Ministry of Municipal Affairs & Housing;
- leveraging municipal service managers; or
- outsourcing to an entity with existing infrastructure.

The industry has existing software solutions which can easily be customized to administer this program and FRPO would welcome discussions with government officials on how to best leverage that existing infrastructure.

### *Cost of Program*

As mentioned earlier, seven percent or 98,000 families in rental housing have not been able to pay their full rent since the current pandemic started. The total rent shortfall has averaged close to four percent throughout this period. To determine the total value of monthly rent arrears, an estimate of the total rent roll in the province would need to be established and then the four percent factor applied to it.

There are two credible sources of data on the number of rental households and average rents in Ontario: Canada Mortgage and Housing Corporation’s (CMHC) Rental Market Survey and Statistics Canada’s (StatsCan) Census. However, neither source is complete for our purposes.

CMHC’s dataset is recent (from October 2019) but it only looks at structures with at least three rental units, so the number of total rental households is underreported. The StatsCan data looks at all rental households but the last Census was in 2016 so the average rent would be significantly lower than current levels. For our illustrative purposes, we can use the number of rental households (1,559,720) from the StatsCan dataset and the average rent (\$1,277) from the more recent CMHC report to come up with a total rent roll of \$1,991,762,440 or approximately \$2 billion a month for residential tenancies in the Province of Ontario.

Applying four percent to that rent roll leaves us with a \$79.7 million or effectively \$80 million in monthly rent arrears during the COVID crisis. With six full months passing since the crisis started, we can estimate the total arrears to be approximately \$420 million for the entire province to date.



Using the illustrative cost sharing scenarios outlined earlier, the ranges of contributions from each party to reset all residents to \$0 in arrears and give them a fresh start would be:

	Government	Industry	Residents (all)
Replicating Canada Emergency Commercial Rent Assistance	\$210 million	\$105 million	\$105 million
Creating equity among partners	\$140 million	\$140 million	\$140 million
Varying support to accommodate different levels of need	\$155 million to \$239 million	\$140 million	\$42 million to \$126 million

It is important to note that these estimates assume 100% of families with rent arrears meet the eligibility criteria. However, there will be a subset who will either not qualify upfront due to inability to meet the upfront threshold for eligibility set by the province, or will have to repay some or all of the benefit during the upcoming tax season due to their full income for the year being higher than the program design envisioned for eligibility.

Therefore, the estimates above represent the maximum exposure to the government from the creation of the proposed Ontario Rental Assistance Program (ORAP).

## **RECOMMENDATION 2: ADDRESS SIGNIFICANT DELAYS AT THE LANDLORD AND TENANT BOARD**

### **Background**

The Landlord and Tenant Board (LTB) is an independent tribunal under the purview of the Ministry of the Attorney General to resolve disputes in the rental housing industry. It gives rental housing providers and their residents rights and responsibilities and sets out a process for addressing issues arising from breach of those responsibilities.

An effective LTB is essential for both parties in the industry. Residents rely on LTB adjudication to protect their rights including taking forward matters such as lack of essential repair and maintenance as well as external elements that prevent the reasonable enjoyment of their rental unit. For example, there are many cases where a rental housing provider has attempted to take action against a resident through the LTB who may have a pattern of abusive behaviour towards other residents in the building.

The LTB is at the core of preserving the relationships in rental housing buildings. However, the tribunal has had substantial challenges meeting its own service standards. Prior to the reduction in operations due to the COVID pandemic, it could take up to 170 days for the LTB to process simple and uncontested matters. Even the initial hearings could take up to 80 days from the time an application is filed in certain LTB offices, while the service standard set by the LTB itself was 25 days.



Both the rental housing industry as represented by FRPO and resident groups as represented by the Advocacy Centre for Tenants Ontario (ACTO) have raised significant concerns with capacity challenges at the LTB. The situation reached a point where the Ontario Ombudsman launched an investigation into delays at the LTB earlier this year.

The government recently took some action by increasing the complement of adjudicators, however, the reduction in operations during COVID has exasperated the backlog of cases waiting to be processed at the tribunal.

### **FRPO's Proposed Solution**

FRPO recommends the government create a plan to address the massive backlog at the Landlord and Tribunal Board backed by necessary financial resources for implementation.

Key measures in the plan should include:

1. Increasing current adjudicator slots by a factor of 100%; and
2. Creating a fast-track for uncontested applications.

The extra investment can be on a temporary basis until a time when the backlog is cleared upon which staffing complements can return to a normalized level. However, resources should always be set to a level that achieves the LTB's own service standards.

This measure coupled with FRPO's first recommendation around the creation of the Ontario Rental Assistance Program would create a framework where residents who were negatively impacted by the COVID-19 pandemic to no fault of their own can remain in their homes while other disputes are addressed in an expedited manner.

## **RECOMMENDATION 3: EXPEDITE PURPOSE-BUILT RENTAL HOUSING APPROVALS**

### **Background**

Ontario has faced a housing crisis for several years. In fact, the Ford Government launched the *Housing Supply Action Plan* and corresponding legislation, *More Homes, More Choice Act* in 2019 to attempt to address the supply shortage in the province.

However, the situation for rental housing has not improved. FRPO commissioned Urbanation to provide an updated estimate of the 10-year supply gap for rental in Ontario. The results were stark. Ontario is expected to experience a 200,000 rental unit shortage over the next decade barring significant policy intervention.

The emergence of the COVID-19 pandemic appears to have softened demand for rental housing in certain urban areas, but we expect demand to normalize and continue the pre-COVID trajectory once we pass the crisis.

The significant red tape in the land use planning approvals process leads to many projects taking up to 10 years to compete. This is a key obstacle that adds costs and delays many projects from getting to market in Ontario.



NIMBYism is another key obstacle that often prevents new units from getting to the market. This is likely why much of the infill development potential on existing sites remains untapped in an environment where there is a massive rental shortage.

### **FRPO's Proposed Solution**

FRPO recommends the government create a concierge service that works with municipalities to cut red tape and fast-track rental housing development projects through the approval process.

The intake for the concierge service could be setup on an application basis where a rental housing developer submits a project for fast-track approval. There could be a set of parameters established where only projects that met those parameters would receive active support from the concierge.

In order to actually confer a planning outcome for a project, the concierge should have the ability to recommend projects receive approval through a Minister's Zoning Order if the municipal approvals path remains cumbersome but necessary parties are supportive of the project. The Minister of Municipal Affairs and Housing would make the ultimate decision.

## **RECOMMENDATION 4: REDUCE GOVERNMENT-IMPOSED COSTS ON NEW RENTAL PROJECTS**

### **Background**

In a context where there is an estimated 200,000-unit rental deficit over the upcoming decade, development costs that inhibit the supply of rental must also be addressed.

There are many elements of costs that impact the feasibility of new rental projects, some are within the provincial government's direct control while others are market-driven. The price of land, construction costs and government fees and charges are all constantly increasing, especially in markets where there is a significant rental shortage.

FRPO commissioned Altus Group to understand the distribution of the various cost drivers in a rental pro forma. The study found that government fees and charges represent 18% of total costs in a typical rental project, only behind hard construction costs and the cost of land. This includes aspects such as HST, development charges, parkland levies and the new community benefits charge.

### **FRPO's Proposed Solution**

FRPO recommends the government create a time-limited program which seeks to rebate provincially governed fees and charges such as development charges and the community benefit charges.

Structuring the program as a rebate program, similar to the DC Rebate Program announced by the provincial government a few years ago, would ensure municipalities are not deprived of the necessary funds to support growth-related costs associated with new developments.



This program could also be setup using an application-based approach where projects are screened against a certain criterion prior to the rebate being issued. This would ensure the incentive can be aligned to target new rental developments where the province deems appropriate.

## CONCLUSION

We have outlined several concepts in our submission which could be announced in the upcoming provincial budget. However, similar to many budget announcements, program details can follow and be informed by consultation with the various relevant stakeholders.

FRPO looks forward to seeing some of our recommendations in the budget and looks forward to engaging with appropriate ministry officials on the design of some of these initiatives.

Should you and/or your staff have any questions on these concepts, please feel free to contact me at [tirwin@frpo.org](mailto:tirwin@frpo.org) or (416) 385-1100 x 20.

Sincerely,



Tony Irwin  
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CC:

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