



Hamilton and District Apartment Association

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Long Term Affordable Housing Strategy

KEY THEMES COVERED IN THIS SUBMISSION

1. A sustainable Supply of Affordable Housing
2. A Fair System of Housing Assistance
3. Co-ordinated, Accessible Support Services
4. A System Based on Evidence and Best Practices

Introduction

Hamilton and District Apartment Association is an association of residential rental property owners, managers and suppliers. HDAA represents over 30,000 rental units in Hamilton and the surrounding area. The term “Residential Rental Providers” describes a wide variety of businesses. Some residential rental providers are corporations that own thousands of units, while others are small business owners who manage duplexes while working full time as electricians, accountants and teachers. Affordable Housing has an impact on all our members who in turn have an impact on the City of Hamilton. We care about our industry and encourage compliance with legislation and best practices to ensure our tenants are provided with the best customer experience possible.

When looking at Affordability, we must take into consideration two variables: The cost of providing housing to the tenant and the income of the tenant. Affordability would not be an issue if renters had sufficient income to pay for the housing they need. The cost of rental housing has a number of components, most of which are out of the residential rental providers control and many are fixed costs that do not vary with revenue:

- Bricks, mortar and other building materials and associated carrying costs
- Repairs & Maintenance
- Heat, hydro, water (usually)
- Insurance
- Management
- Vacancy and bad debt
- Legal and accounting fees
- Taxes, fees and licenses, such as Property Taxes, HST on a number of item including Hydro, gas, Payroll taxes, development charges, building permits, parkland dedications.

Most of these costs except taxes are out of the Government’s control as well. The provincial government sets the income levels, this includes the people on assistance who are often renters by necessity. Social assistance levels should be set high enough to allow people to pay for their accommodation.

When dealing with affordability issues we must ensure that we do not pass the problem along. For example, it is not the intention to lift the bottom 10% of income earners out of poverty, while having the next 10% fall into poverty. Forcing builders and developers to make a portion of a project affordable by making a larger portion of the project less affordable is NOT the correct answer.

Theme 1: A Sustainable Supply of Affordable Housing

How can we encourage private investment in affordable housing through planning, financial, regulatory and other tools?

We believe more purpose built rental housing is needed in Ontario. Rental housing has a smaller footprint, is greener in terms of energy consumption, saves farmland from development, it is more efficient in using city resources such as roads and sewers, helps the economy by improving labour mobility, reduces gridlock on our roads, creates better use of public transit and many home maintenance activities that homeowners do are done professionally and therefore provide taxation for various levels of Government. A higher density of rental housing also provides more property taxes to the City per acre. The primary benefit of ownership of housing is forced saving although the cost portion of PIT (principle interest taxes) is usually greater than rent.

For most of the last 30 years the income and economics from new rental properties has not been sufficient to produce the volume of purpose built rentals that are required in Ontario. Condominiums as rentals are not the answer because speculators, not investors, own them. They will revert back to owner occupied when the market rises, the management is inefficient, and usually purpose built rental properties have maintenance staff on site. The economics of building new rental buildings now make it more feasible and financially viable for the private sector. Governments can work towards enticing the private sector to build rental housing.

How can we better support the non-profit sector (including co-op, private, and municipal non-profits) in maintaining, replacing and expanding social and affordable housing?

We believe the expansion of rental housing should go into the private sector with a process of rent subsidies or shelter allowances that will be cost effective on older buildings. This could be a public/private partnerships with the government providing the subsidies to the tenants. This allows the tenant to have the choice to move because the subsidy would go with them. We believe in a hand up rather than a hand out to encourage renters and their families to seek a better living. This will keep neighbourhoods more diversified.

How can we improve regulatory and legislative tools to enhance housing affordability?

Improving Legislation: Multi-Residential Property Tax rates in many Municipalities are way out of line. To leave these rates in the hands of the Municipality will not improve the affordability of rent. Many reports have shown there is no justification for higher multi-res rates. Municipal Politicians are unwilling to act on this issue for political reasons, homeowners vote more than tenants, homeowners complain about the slightest increase in taxes and tenants don't understand that their rent includes property taxes, let alone how badly they are being gouged. Many tenant advocate groups are municipally funded and therefore have a conflict when informing tenants of this reality. The Province has set a guideline that the multi residential tax rate should be ratio of 1 to 1.1 times the residential rate. If the Province was to mandate that the rates be within this guideline, tens if not hundreds of thousands of people

would be lifted out of poverty. The affordability in multi-residential properties in cities like Hamilton and Toronto would improve by \$100 a month with the equalization of property tax rates. The multi residential tax rate in Hamilton is approximately 2.49 times the residential rate, equalizing that rate would lead to a reduction of approximately 60% in the taxes which would reduce the rent by 12% as required under the Residential Tenancy Act.

We suggest looking at the recommendations from TD Economics special report (January 19, 2015 www.td.com/economics) which states:

“One area that needs a close look at is the current rent regulations in Ontario. While well intended, these regulations are likely inflicting longer-term damage on the housing system by limiting the rehabilitation and new development of market rental units. These regulations are targeted at buildings constructed before 1991, which remain an important part of the rental stock. Rents have been allowed to rise by the rate of inflation. However, owner costs (i.e., property taxes, utility fees, etc.) have been rising considerably faster. In New York City, rent controls are considerably more flexible. The government determines a maximum base rent on units built before 1947 – which takes into account the need for a landlord to make a reasonable profit. Rents are then allowed to rise at 7.5% per year until they reach this maximum prescribed base rate, which in turn is set every two years. Landlords of newer developments may join the rent stabilization program in exchange for tax credits. In sum, rent regulation must not just focus on tenants’ rights but must also encourage investment in rental properties”

Improving regulatory affordability: Encourage investments in rental housing by reducing the red tape and hardships on residential rental providers. Help the Landlord Tenant Board create a more predictable mechanism to help standardize the outcome of cases, create firm schedules, and ensure there are no biases to help relieve costs to the rental provider which in turn would reduce costs to the renter.

What steps should the Federal Government take to support housing supply, including social housing?

Changes to HST by zero rating residential rents rather than them being exempt would allow landlords to claim back the HST they have paid on goods and services, effectively lowering their cost structure therefore creating more affordability for their tenants. In other countries such as USA and England landlords can sell one property and not pay capital gains tax if they reinvest in another property in a timely manor. Adopting this rollover relief would free up capital for investors to either build new or purchase larger buildings to increase the supply of rental units allowing the market to keep a downward pressure on rents. Rental income should be treated as an active business. They should also provide more funding for shelter subsidies and housing allowances.

Theme 2: A Fair System of Housing Assistance

How can we improve access to housing assistance and reduce wait times? How can the system of housing assistance be improved – for clients and service providers?

The implementation of more rent subsidies and shelter allowances provide an immediate benefit. A suggestion would be to provide immediate assistance in the form of a universal program. This ensures that everyone can get some assistance instead of a lottery system where only a few people have their rent geared to income. This type of program could serve those in greatest need first, starting with anyone paying more than 50% of their income on rent and over time changing it to 45, 40, 35% respectively. This type of portable shelter subsidy system would help distribute low-income people across different buildings and different parts of the City avoiding ghettos or low-income neighbourhoods. Subsidising buildings creates ghettos. “BUILDING AFFORDABLE HOUSING” is an oxymoron, housing that is being built now is more expensive than older housing and requires MUCH GREATER subsidies than in older buildings.

Our views are supported by a special report from TD Economics (January 19, 2015 www.td.com/economics) which states:

“An option that we believe deserves merit is the design of a housing benefit targeted at low income earners that are not collecting social assistance. This solution has received broad support across many housing stakeholders. We have estimated that the housing gap (the difference between the rent they pay and the rent they can afford) for the bottom 40% is on average \$4,100 a year and rising. A housing benefit that would work to close much of the gap between income and rent levels would cost roughly \$1 billion for the GTA alone. Given its relatively heavy price tag, the cost could be lowered initially by targeting select groups of low-income earners and then expanded over time. For example, just focusing on low-income seniors alone would cut the cost for the GTA to about \$100-\$150 million.”

What non-financial programs and supports help to maintain successful tenancies? How can we better support people who are homeless to become stably housed?

A suggestion to bring in a non-financial program to improve tenancies would be to provide tenants with education about their rights and responsibilities. There are also many homeless people who have other needs as well as affordability of housing; many have physical or mental health issues. Greater support is needed to house these types of homeless. When putting the “difficult to house” into rentals it is essential that the tenant and the rental provider have 24/7 access to various types of support. Many rental providers are reluctant to house these people because of the risk of disturbance to other residents; the knowledge of 24/7 support may reduce that reluctance. We believe by supporting the homeless along with the rental providers we create a win-win situation. It should be partnership not the responsibility of one party.

Theme 3: Co-ordinated, Accessible Support Services

How can the Province, Service Mangers, community agencies and housing providers work to improve Ontario's housing system?

The private sector has proven to be more cost effective in providing rental housing; we suggest taking construction costs off the government because government funded construction creates a burden on the tax payer, and allow the private sector to build the rental housing we need. Housing owned by government and non-profit agencies should be used more for supportive housing. People who only need financial support should be moved out to the general community with the assistance of shelter subsidies.

Theme 4: A System Based on Evidence and Best Practices

What outcomes should social and affordable housing programs focus on achieving?

They should be focusing on the people who need support services and cannot be supported in the general community instead of people who just need financial aid. Moving out the financial aid tenant would result in more space for those who need the support.

How can we support service managers and housing providers to achieve outcomes?

Private housing providers need help when issues arise from tenants who have social and mental special needs. Providing education for the property managers to help them help these tenants will relieve stress and give property owners more confidence in providing housing for all tenants. Help us help them by working with us.

What opportunities exist for sharing housing data with partners and the public? How do we enhance services providers' capacity to access evidence on best practice?

Municipalities should work closer with Landlord associations to be able to share data, best practices and information on industry changes and improvements.

Conclusion:

The real question is how can the Government increase the renter's income levels?

The income levels for lower earning residents is too low. We would like to reiterate that there are two variables in the affordable housing discussion; the cost of rental housing and the income levels of our customers. We believe that there is too much focus on the cost of the rental housing variable; which is not flexible as many are fixed costs, with the exception of the property tax ratio. Instead the focus should be to increase the income levels of renters or reduce their renting costs through providing shelter subsidies, increase the benefits to people on assistance, raising tax brackets so that the people with low incomes are not paying taxes and regular increases in minimum wages.

Our association is concerned with the long term health of the industry and wants to make sure the right framework for new construction is set so that 20-25 years down the road the industry is still providing sustainable housing that the citizens need.

We look forward to a greater involvement with the decision process regarding affordable housing in Ontario. We appreciate the opportunity to discuss our concerns and offer consultation on such an important topic.