

NEWSLETTER

February 2006

www.EOLO.ca

City Council Could Increase Apartment Taxes By Over 10%

The media has reported that City Council approved a budget with a 3.9% increase split between taxes and new utility charges. (To read about the new utility charges, see "Garbage Tax" at p. 4 and "Higher Water Bills" at p. 7.) According to some reports, the tax bills will increase by 1.1% and garbage charges will generate revenue of 2.8% of last year's total tax bills. According to other reports, the tax increase will be 0.3%, and the garbage and fire supply charges will generate revenue of 3.6% of last year's total tax bills.

However, the 3.9% figure relates to homeowners. Multi-residential property could be facing tax increases of over 10%, plus extra garbage taxes and higher water bills.

In early October, multi-residential landlords were shocked to see assessment increases for their buildings of 20%, 30%, 40% or more.

In fact, across the City of Ottawa, the average multi-residential property assessment increased by 30%. Meanwhile, other residential property only increased in value by about 12%. As a result, the City has the ability to increase taxes on apartments and rental row houses by over 10%.

Multi-residential properties pay municipal tax at 2.15 times the residential tax rate. Because apartments have increased in assessment value by a higher percent-

age than other residential property, the City will gain an extra \$9M in revenue from the multi-residential sector.

The City needs to charge multi-residential properties no more than 1.8 times the residential tax rate to cancel the \$9M shift. Coincidentally, this is the same tax ratio that the City was moving towards in the past.

Unless we succeed in cancelling the assessment shift to multi-res, **most multi-res properties will see a tax increase of between 10.3% and 11.1%**. We are seeking to cancel the assessment shift by having City Council reduce the multi-res tax ratio. That decision will likely be made in March or April, 2006.

It is ultimately tenants who bear the brunt of higher property taxes, as landlords are entitled to pass on property tax increases to their tenants. However, landlords will suffer as well. There are costs borne by the landlord for filing applications to increase rents. Meanwhile, if landlords are forced to charge higher rents, well-off tenants may leave for home ownership options. Less well-off tenants may face difficulty paying the higher taxes and defaults will rise.

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Vacancy Rates in Ottawa remain well over 3%

(Real rents in Ottawa fall 8.5% since 2001)

According to CMHC's annual rental survey released on December 15, 2005, the average apartment vacancy rate in Ottawa remains high at 3.3%. This reflects a market in which there is more than an adequate supply of rental housing.

2006 Guideline

2.1 %

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EOLO Networking and Information 2005 Fall Event

On the evening of November 9th, EOLO held a very successful information and networking event at the Centurian Conference and Event Centre for our landlord and associate members. Over 50



landlord representatives (representing well over 20,000 rental units) attended the event where they received an update on property taxes and rent control from our Chair John Dickie.

John's powerpoint presentation is available on the website www.eolo.ca.



As well the landlord members were able to learn more about the products and services provided by our sponsors and other EOLO associate members while breaking bread (and carved roast beef) with them.

The Ottawa Citizen sent a reporter to cover the event. The article, "Local Landlord Organization emerges as a strong voice", published on November 26th, can be found on the EOLO website.

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**RESERVE THE DATE
2006 SPRING NETWORKING EVENT TO
BE HELD ON MAY 10th.**

Our next members' event will be held the evening of Wednesday May 10th, at the Centurian Conference and Event Centre.

We expect that new rent review legislation will be introduced by early May. All residential landlords will want to speak to key decision makers at this critical juncture.

This event will be an outstanding opportunity for suppliers to meet with the major decision makers and owners of many of the largest and most influential residential landlords in Ottawa.

Our associate members will be receiving invitations shortly giving them the first chance at sponsorship opportunities to promote their products and services.

Please contact David Lyman at 235-0101 for more information.

Vacancy Rates in Ottawa remain well over 3% (continued)

(Continued from page 1)

This year's vacancy rate is lower than last year's six year high of 3.9%. But, at 3.3%, this year's vacancy rate is significantly higher than Ottawa's average vacancy rate for the previous 15 years (2.2%).

Rents in Ottawa are falling. From October 2004 to October 2005, the average rent for a one-bedroom apartment **fell by 1.2%** from \$771 to \$762; the average two-bedroom rent **fell by 2.1%** from \$940 to \$920.

CMHC reports that "between 2001 and 2005, the price of Ottawa's average-priced resale home rose 41% (to \$247,906) and the estimated principal and interest carrying cost on this home rose 26% to \$1,129. By contrast, **the average two bedroom rent rose only 1% [between 2001 and 2005].**" Over that time period, inflation was 9.5%. **Since 2001, real rents in Ottawa, i.e. rents in constant dollars, have fallen by 8.5%.**

Surprising to some, the most affordable rental units

have the highest vacancy rates. Vacancy rate by quintile ranges show that the lowest 20% of rents (an average of \$623) have a vacancy rate of 4.6%, even though the rate for all units is 3.3%.

Rental units and rooms in rooming houses are the most affordable housing option in Ottawa and throughout the country. However, due to very low incomes, some households cannot afford to rent apartments of the size they need. Especially given the vacancies among low rent units, it is clear many in society are facing an income problem, not a housing problem.

John Dickie, EOLO Chair says, "Renting continues to be the most affordable option for most households. This is a great time for tenants - landlords have invested in their buildings to attract tenants, and now rents are falling." It is clear that the relatively free rental market brought about by the Tenant Protection Act is working for tenants.

MYTHS and FACTS

MYTH -- Rents are increasing faster than inflation.

FACTS - Between 2001 and 2005, the average two bedroom rent in Ottawa rose less than 1% (from \$914 to \$920).

Meanwhile in that same time

- the price of Ottawa's average-priced resale home rose 41% (to \$247,906)
- the price of a dozen eggs increased by 16%
- the price of a loaf of bread increased by 26%
- the price of gas increased by 57%
- the price of an OC Transpo adult bus pass increased by 46% (from \$48.75 to \$71.25)
- to keep up with the overall Consumer Price Index, the average rent for a 2 bedroom apartment would have had to increase by 9.5% to \$1,001

Since 2001, real rents in Ottawa have fallen by 8.5%.

MYTH -- There are no vacancies for low-rent units.

FACTS - The vacancy rate for Ottawa is highest amongst the most affordable rental units.

Rent Range	Quintile	Average Rent	Vacancy Rate
Lowest	1	\$ 623	4.6%
Second lowest	2	\$ 723	3.5%
Middle	3	\$ 795	2.6%
Second highest	4	\$ 874	2.4%
Highest	5	\$ 1,147	3.9%

Source: CMHC Rental Market Report, Ottawa, October 2005, page 4, middle column.

Update on City's Demand for Increased Powers

In our September newsletter, we published the article "New Deal for Cities could be a raw deal for landlords". At the time, the City of Ottawa was in the forefront for demands by municipalities to have expanded powers. EOLO and other local members of the JOBS Coalition stressed that City Council did not speak for the community at large in their demands. Premier McGuinty heard our concerns. As quoted on October 1, 2005 in the Ottawa Citizen "I don't know how eager the people of Ottawa are to have new revenue-raising tools given to their municipal government."

The Provincial government has since told the City of Ottawa that their demands will need to wait until after they decide what new powers the City of Toronto should be given. Premier McGuinty stated, "I've always said I'll begin with Toronto. In order for me to take that any further to any other community, I'd need to develop a strong sense that there's a real desire on the part of

the community for those kinds of powers."

The battlefield for deciding whether municipalities will get expanded powers to impose new taxes, to create crippling rules and regulations on business, and to seek to intrude further into our lives and businesses has moved to Toronto.

EOLO will continue to support the JOBS Coalition in expressing alternative ways to solve municipalities' fiscal situations. Most notably, JOBS is urging the Province to alleviate the financial pressures on the municipalities by taking back the responsibility for income re-distribution measures.

EOLO is a founding member of the Joint Ontario Business Sector (JOBS). To learn more about JOBS, please visit their website at www.jobscalition.ca or speak with EOLO Vice-President David Lyman.

Garbage Tax - How much will it stink?

The City of Ottawa has decided to take the cost for the collection and disposal of garbage off the property tax bill, and levy a separate charge. No specific numbers were given for that separate charge.

City staff reported to Council that the 2005 per household **cost of garbage collection and disposal to the City** was as follows.

	Garbage Collection & Disposal Cost	Net Recycling Cost	Total Cost
Household in the single family sector (e.g. detached house)	\$90	\$28	\$118
Household in the multi-family sector (e.g. high-rise apartment or condo building)	\$27	\$11	\$38

Picking up the garbage from multi-family dwellings is much cheaper because they produce less garbage (15 lbs./week vs 44 lbs./week for the average single family home), and the garbage is picked up from a bin at one point, instead of in bags at a hundred different points.

The City still has to decide in what amounts the separate charge(s) should be applied against the various property types, i.e. single-family homes and highrise

condominiums or apartment buildings.

The City's budget documents referenced a \$71 flat fee per household, although an exact fee has not been finalized. In the budget documents, there was no reference to the distinction between single-family homes and multi-family properties (i.e. condominiums and apartment buildings).

The City of Ottawa appears to be considering the following two options for levying the separate charge:

A - \$71 per door for all households; or

B - \$27 for multi-family (highrise condominiums and apartment buildings) and \$90 for single-family homes

Under option A, the annual garbage charges for a 200 unit apartment building will be \$8,800 more than under option B.

EOLO has been told that there will likely be two separate garbage rates. But we will remain on top of this issue to ensure that we pay a rate that reflects the City's dramatically lower cost in providing garbage service to apartment buildings. We hope that condo corporations will also be speaking to City Councillors demanding that the City not subsidize single family homeowners by charging multi-family properties more than their fair share.

Amendment to the Ontario Fire Code - From FRPOfacts

In December 2005, the Ontario Government moved forward with a regulatory change to the *Fire Protection and Prevention Act, 1997*. Better known as the Ontario Fire Code, Article 2.13.2.3 of Regulation 388/97 currently states that:

(2) Smoke alarms shall be installed between each sleeping area and the remainder of the dwelling unit, and where the sleeping areas are served by hallways, the smoke alarms shall be installed in the hallways.

An amendment (Regulation 650/05) was published in the Ontario Gazette on December 31, 2005, which adds a requirement to the Ontario Fire Code.

(2.1) In addition to the requirements in Sentence (2), at least one smoke alarm shall be installed on each storey that does not contain a sleeping area in a dwelling unit.

This regulatory change will affect multi-level residential housing (e.g. condominiums, townhouses) by now requiring fire alarms on all levels of any structure where people reside, including the basement, regardless of the

presence of bedrooms. This will not likely affect high-rise apartment buildings, as apartments typically only have one floor.

According to staff at the Office of the Minister of Community Safety and Correctional Services, similar provisions are found in the Ontario Building Code and this amendment serves to bring the two Codes more in-line with one another.

The regulation comes into force on March 1, 2006.

To view the amendment (Regulation 650/05):

http://www.e-laws.gov.on.ca/DBLaws/Source/Regs/English/2005/R05650_e.htm

To view Regulation 388/97 in its entirety:

<http://www.e-laws.gov.on.ca:81/ISYSquery/IRLEEDE.tmp/3/doc>

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FRPOfacts: Federation of
Rental-housing Providers of Ontario

CFAA Report: Funding for Energy Upgrades

In October 2005, the Federal government announced \$1.3B in new funding to address the impact of high energy costs. Part of that funding has been allocated to energy subsidy programs for which residential landlords may qualify.

Programs Targeted at Low-Income Households

The Federal government has established a new program of subsidies for renovations to save energy, called EnerGuide for Low-Income Households. CMHC will deliver the program through the Residential Rehabilitation Assistance Program (RRAP). The program will be open to private landlords. Unfortunately, the per unit subsidy limit will be in the order of \$1,000 - \$1,500 per room or suite for multiple-unit buildings and rooming houses, whereas for a single family house, the limit will be \$3,500 - \$5,000. The Canadian Federation of Apartment Associations (CFAA) will encourage the govern-

ment to raise the limit on rental suites.

Funding for Energy Planning & Retrofit Projects

\$170 million in funding was added to the existing EnerGuide for Houses Retrofit Incentive program (formerly known as the Energy Innovators Initiative with its Energy Retrofit Assistance) to extend the program to 2010. That program is not limited to low-income families. To be eligible for the grant, the dwelling must be either 1) a low-rise residential dwelling, that is a detached, semi-detached or row house that is no more than three and a half stories high, and that has a footprint of not more than 600 m², or 2) a mobile dwelling on a permanent foundation.

Assistance for energy audits on large apartment buildings will be provided through EnerGuide for Existing Buildings (formerly known as the Energy Innovators Ini-

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tiative). This initiative will be available to owners of multiple-unit buildings and rooming houses built prior to 1980 and may be used for energy retrofits such as draft-proofing, heating system upgrades and window replacement, for example. Multi-unit residential buildings (with a common entrance) that are at least four storeys high or that have a footprint greater than 600 m² are eligible for funding. Previously announced deadlines for applications under EnerGuide for Existing Buildings have now been removed, but funding for retrofit planning activities will be limited.

Landlords can qualify for up to \$25,000 for retrofit planning activities, including energy audits, feasibility studies, energy management plans, and other project development and facilitation measures that can lead to energy savings. Technologies and equipment that are innovative or that use renewable energy should be considered.

Depending on the current energy consumption of a building, landlords can qualify for up to \$250,000 for retrofit implementation projects, including development and management, materials and labour, monitoring and tracking, staff training, and awareness. The initiative recommends implementing multiple measures such as efficient lighting systems, building envelope, motors, controls, heating, ventilating, air conditioning and other types of energy retrofits, as well as employee training. Where possible, technologies and equipment that are innovative or that use renewable energy should be con-

sidered.

The Commercial Building Incentive Program, which is open to multi-unit residential buildings, provides design assistance and funding of up to \$60,000 based on building energy savings. To qualify for this incentive, a new design or renovation plan must be at least 25% more energy efficient than the requirements of the Model National Energy Code for Buildings. This program runs until March 31, 2007.

For more information on these programs, please go to www.oeo.nrcan.gc.ca/corporate/programs.cfm?attr=0

CFAA will continue to encourage governments to make all applicable housing programs open to private landlords, and to improve the terms of those programs.

The Eastern Ontario Landlord Organization is pleased to support CFAA as one of 16 member associations across Canada. Together, our members own or manage more than 1,000,000 rental homes. CFAA is the sole national organization representing the interests of Canada's \$30 billion rental housing industry. For more information, go to www.cfaa-fcapi.org.



Canadian Federation of Apartment Associations

Fédération Canadienne Des Associations De Propriétaires Immobiliers

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Higher Water Bills on the Way

Owners of property in the City of Ottawa should budget for dramatically higher water costs for 2006. Taking into account the water rate increase, the fire supply charge, and the garbage charge, landlords may well see the charges on their water bills increase by 20% to 40% this year.

As of January 1, 2006, the combined water and sewer surcharge rate increased by 8.5%. This increase was introduced primarily to fund the replacement and rehabilitation of the City's aging water and sewer infrastructure.

In addition, the City will be imposing new charges on the water bill for fire supply. The fire supply charge will be based on water connection size. For apartment buildings, the charge is expected to be about \$7.75 per unit in an apartment building.

Finally, starting early this Spring, you should expect to see the garbage tax (discussed in detail at page 4) included on your bi-monthly water bill.

EOLO will continue to represent landlords' interests in keeping utility bills as low as possible.

Recent Municipal and Federal Election Results

EOLO congratulates Bob Monette in his victory in the recent Orleans municipal by-election. Councillor Monette is a well-regarded and experienced politician, having previously served on Cumberland City Council for 6 years. Upon taking his seat at Council, Councillor Monette was appointed to the Planning and Environment and the Emergency and Protective Services Committees. We are hopeful that Councillor Monette will be open to working with EOLO in promoting and supporting a healthy rental housing market for the benefit of our members, our members' tenants, the industry and the City as a whole.

EOLO congratulates the Conservative Party of Canada in their Federal election victory. Many of the elements in the Conservative platform will have a positive effect on the rental housing industry.

The Conservative platform (available at: www.conservative.ca/media/20060113-FiscalPlan.pdf) includes:

Real tax relief for Canadians

A Conservative government will:

- Eliminate the capital gains tax for individuals on the sale of assets when the proceeds are reinvested within six months. Canadians who invest, or inherit cottages or family heirlooms, should be able to sell those assets and plough their profits back into the economy without taking a tax hit. It is time government rewarded Canadians who reinvest their money and create jobs.

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Creating jobs and growing Canada's economy

A Conservative government will:

- Make good, finally, on the business tax relief the Liberals promised in the February 2005 budget and the November Economic and Fiscal Update. The Liberals changed their minds and abandoned this promise last spring in their budget deal with the NDP. Now they are promising it again. A Conservative government will deliver it. The general business tax rate will fall from 21 percent to 19 percent by 2010 and the business surtax will be eliminated on January 1, 2008. We will also follow through on the elimination of the federal capital tax on January 1, 2006.

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Building more affordable housing

A Conservative government will:

- Work with the provinces and municipalities to develop tax incentives for private-sector builders so that low-income city dwellers will have improved access to affordable housing. Specifically, on an experimental basis to supplement existing programs we will establish a low-income housing tax credit program. Beginning in 2007-08, we will set aside \$200 million annually in the form of federal tax credits to encourage developers to build or refurbish affordable rental units in which at least 40 percent of the occupants earn less than 60 percent of the local median income.

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If you have any questions about the issues raised in this bulletin, please contact John Dickie (Chair) or David Lyman (Vice-President) at 235-0101, or Luigi Caparelli (President) at 723-6169.

Please contact David Lyman at (613) 235-0101 to discuss advertising opportunities.