

# NEWSLETTER

April 2010

[www.EOLO.ca](http://www.EOLO.ca)

## EOLO Seeks Lower Property Taxes for 2010

Buildings of more than 6 units ("multi-res properties") pay property tax at a much higher rate than home-owners. Through economic forces, tenants ultimately pay those excess taxes through their rents.

Several years ago Ottawa City Council decided it should tax tenants at a higher rate than homeowners, but at a rate so that there would be an equal tax burden on similar properties in the multi-res and residential property classes. Working within that goal, EOLO and others have persuaded City Council to reduce the "tenants' tax ratio" from 2.33 to 1.70 over the last decade. As a result, in 2010 the City tax rate on multi-res property is 1.7%, versus 1.0% on owner occupied homes (and 1 to 6 unit rental buildings and new multi-residential rental buildings). Without EOLO's past action, the "tenants' tax rate" would be closer to 2.33%.

Now the City is balking at any further reductions because the average condo pays 10% more tax per square foot than the average rental apartment. The City Finance

Inside this issue:	Pg.
<a href="#">Spring 2010 Networking Event</a>	2
<a href="#">Ontario Budget Huge Setback for Landlords and Tenants</a>	3
<a href="#">2010 Federal Budget Good News for Landlords</a>	4
<a href="#">HST Update</a>	4
<a href="#">Ottawa Landlords Feeling the Heat from Fire Inspectors</a>	5
<a href="#">A New Direction on Homelessness</a>	5
<a href="#">CFAA Joins with CPMA to Fight Bedbugs</a>	6
<a href="#">2010 Tenant-Landlord Spring HOPE Food Drive</a>	6
<a href="#">Political Briefs</a>	6
<a href="#">EOLO Associate Members</a>	8

Staff and their consultants, MTE, assume that the typical condo is similar to the typical rental apartment, whereas our experience, research and consultants all indicate that rental apartments are typically significantly inferior to condos, so that the rental apartment should pay, say, 60% of what the condo pays rather than 90%. That much difference is needed between what the average properties pay so that similar properties in the two classes will pay the

*(Continued on page 3)*

## City Rolling Out Organic Recycling to Ottawa Low-rises

Apartment dwellers will soon be participating in organics recycling. In mid-March, the City of Ottawa began to deliver green bins to approximately 30,000 townhomes and low-rise rental buildings.

To make the transition as smooth as possible, City Solid Waste staff will work with property managers to decide which of two approaches work best for them. Managers can choose to receive several 47 liter bins that tenants put out on their own. Or they can choose a depot system, where tenants drop their recycling into 80 liter bins on the property.

The depot system can provide upgraded customer service and can deal with space constraints when garbage space is limited, but it puts landlords in the position of handling the

recycling material. Most landlords are choosing to leave the recycling to tenants, just as tenants handle their own garbage now.

Green bin distribution is proceeding by collection zone, starting with Kanata in the west and moving east. Owners or managers who want green bins sooner can call the City and be set up immediately.

At the moment, high-rise buildings are not included in organic recycling. The city expects that certain buildings will become part of a pilot project starting at the end of 2010 or the beginning of 2011. If successful, the pilot will continue adding more buildings until all high-rises are

*(Continued on page 4)*

## Spring 2010 Networking Event

EOLO's 10th semi-annual Networking event for our landlord and associate members will be held at the Centurion Conference and Event Centre in Ottawa on Wednesday, April 7, 2010 between 5:00 to 7:00 pm with an industry update and educational sessions prior to the Networking Event.

## Fall 2009 Networking Event

Our previous Spring Networking event, held on Wednesday, October 21, 2009, was a great success for EOLO's landlord and associate members.

EOLO would like to thank all of the landlords and suppliers who were in attendance. If you are interested in joining EOLO in order to attend future events, please contact Erin Wallace at (613) 235-9792 or by email at [eolo@magma.ca](mailto:eolo@magma.ca).

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## Property Taxes (Cont'd)

(Continued from page 1)

same amount in dollars.

The City addressed the multi-residential property tax issue at the March 22 meeting of the Audit, Budget and Finance ("ABF") Committee. EOLO made a submission covering

- what tax ratio applies in other cities across Canada (1.0 for the most part outside of Ontario).
- the flaws with the City consultant's report (and their acknowledgment of the size difference between the average condo and the average rental apartment),
- the flaws with the City Staff report, and
- the differences between the typical condo and the typical rental apartment.

EOLO also worked with major landlords to submit additional information through Barry Nabatian, Pierre Azzi and David Lyman. Those presentations establish what the tax ratio should be in order to achieve an equal tax burden between multi-res properties and residential properties.

As well, Tenants and Landlords for Fair Taxation, and

Housing Help made submissions seeking reduced property taxes for tenants.

Despite the efforts by EOLO and the other presenters, a motion to reduce the "tenants' tax ratio" from 1.70 to 1.60 lost by vote of 8 to 2. A motion to reduce the "tenants' tax ratio" from 1.70 to 1.65 lost by vote of 7 to 3. Councillors Hume, Cullen and Holmes voted for the ratio reduction. Mayor O'Brien, and Councillors Deans, Feltmate, Harder, Thompson, El-Chantiry and Jellett voted against the reduction. Councillor McRae was absent.

City Council will make the final decision on the multi-residential property tax for 2010 on April 14. EOLO will be working hard to reverse the decision of the ABF Committee, and achieve a tax ratio of 1.65 for 2010.

Achieving that ratio would reduce the average tax increase on multi-res buildings from 4% in 2010 to 1%. In turn that would avoid tax-driven rent increases, and deliver tax-driven rent reductions to some tenants. EOLO believes the multi-res tax rate should be reduced, and that that would benefit both landlords and tenants.

## Ontario Budget Huge Setback for Landlords and Tenants

*Reprinted with permission from Federation of Rental Housing Providers of Ontario (FRPO).*

The Federation of Rental-housing Providers of Ontario (FRPO) expressed disappointment in the Ontario government's 2010 Budget, which did not mitigate the unique negative effects of the HST on rental housing.

"The provincial government has done nothing to mitigate the huge impact of the HST on the rental housing industry and tenants," said Vince Brescia, President & CEO of FRPO. "This budget is a major setback for tenants, who will see reduced services as property owners grapple with a \$400 annual cost increase per unit."

About 60% of rental housing costs currently not subject to PST will face the 13% HST. This means costs will go up by an average 4.8% in 2010 due to the HST alone, or about \$400 per rental unit (a 6% to 7% cost increase) when other inflation costs are added as well.

According to FRPO, a \$400 reduction in repairs and maintenance represents a 45% reduction in the repair budget for a typical rental building. "The government's thoughtless application of the HST to rental housing will result in a massive deferral of repairs and maintenance of the rental stock across Ontario," said

Brescia. "This is horrible when you consider that we have an ageing rental stock in Ontario."

The capital needs of Ontario's rental stock are expected to accelerate in future years. Over 70% of Ontario's 1.3 million rental housing units were built before 1980, while over 50%, or more than 688,000 rental units, were built in 1970 or earlier. Ontario's current CPI rent guideline does not allow recovery of normal industry costs, with the 2011 rent guideline projected to be close to 0%, while industry costs will be increasing between 6% and 7% annually.

Other Budget announcements include:

- Enhanced sales tax credits and property tax credits for low- to middle-income families and individuals, that take effect in 2010
- Increases to basic-needs allowances and maximum shelter allowances by one per cent for people on Ontario Disability Support Program and Ontario Works, providing marginal benefit to lower income renters.
- Ontario's minimum wage will rise to \$10.25 per hour on March 31, 2010.

## 2010 Federal Budget Is Good News for Landlords

Rental housing providers should be pleased with the 2010 federal budget, says the head of Canada's rental housing association.

"Considering how bad it could have been, we're happy with this federal budget," said John Dickie, President of the Canadian Federation of Apartment Associations (CFAA). "The Budget ended a discriminatory program, imposed no new taxes and provides several measures of some benefit to landlords. Rental housing providers should be pleased," he said.

The federal government released its 2010 budget on March 4th. With record deficits and shrinking income, many observers warned that any government action would pair spending cuts with an increase in taxes. Both of these measures were absent in this budget.

The main focus of the budget was deficit reduction, with the government planning to find \$17.6 billion in savings over the next five years mostly through trimming the public service, freezing departmental budgets and slowing military spending. The government is also relying on a quick transition back to strong economic growth to bring the government accounts back into the black within five years. As it is, the Finance Department projects the deficit to fall

from \$53.8 billion this year to \$1.8 billion by 2015.

The budget contained very few new tax initiatives or increases. Finance Minister Jim Flaherty called it a "small spending" budget and said Canadians would appreciate the government's restraint as families across the country try to tighten their belts. While Flaherty admitted the budget contained "no goodies," it did dole out a final \$19 billion in stimulus spending the government hopes will kick-start the Canadian economy.

While not a complete victory for the rental housing industry, the budget did contain several positive developments for landlords. Here are some highlights of interest to rental housing providers.

The Home Renovation Tax Credit, considered an example of the government's discriminatory treatment of renters, was discontinued. "While CFAA would have been happy to see the Tax Credit extended to the rental housing industry instead of being ended, we are just as happy to see the end of this discriminatory tax credit that unfairly rewarded those capable of renovating their homes," said Dickie.

Another issue of some interest to rental housing providers

*(Continued on page 7)*

## HST Update

The HST is a done deal. Supported by EOLO, the Federation of Rental-housing Providers of Ontario (FRPO) has been seeking mitigation for landlords, but the recent Ontario budget provides no mitigation for landlords. (See also "Ontario Budget Huge Setback for Landlords and Tenants" on p.3.)

"It is clear that the government of Ontario does not care about the rental housing industry," says Vince Brescia, President and CEO of FRPO.

The HST will increase costs for rental housing providers, but rent control prevents landlords from passing on these

costs to tenants. This will drastically reduce repairs and maintenance of Ontario's ageing rental stock, negatively affecting tenants across Ontario.

FRPO and EOLO will continue to seek mitigation for landlords, who will experience a sharp cost increase in July 2010, and then a low guideline rent increase for 2011, while tenants pocket the cheques the government is issuing to soften the impact of the HST.

EOLO held an educational session for Ottawa landlords on the impact of the HST on April 7, 2010, before the Spring Networking Event.

## Organic Recycling (cont'd)

*(Continued from page 1)*

included.

Janine Melbourne, Waste Diversion Coordinator at the City of Ottawa, says she has a few buildings already signed up for the pilot project, but is eager for more. Property managers who would like to participate in the pilot, or

landlords with any questions about organic recycling in rental housing, can call Melbourne at 613-580-2424 ext. 22786, or email [Janine.melbourne@ottawa.ca](mailto:Janine.melbourne@ottawa.ca).

EOLO will be providing input in the high-rise pilot project in an attempt to ensure that the high-rise recycling system works well before it is rolled out on a mandatory basis.

## Ottawa Landlords Feeling the Heat From Fire Inspectors

Contradictory regulations and variable enforcement by the fire department are leading to headaches for many Ottawa landlords. Several changes to the fire safety rules are causing confusion, specifically those with regard to fire alarm audibility and fire escapes.

In Ottawa, fire escapes seem to be the biggest issue. "Fire escapes are by far the most common problem I see," says Ted Tokaryk, head of Vision Building and Inspection Consultants in Ottawa. Tokaryk worked for the Ottawa Fire Department for 15 years, until 10 years ago. He now spends a majority of his time consulting on fire code issues. "Seventy percent of inquiries I receive are based on fire escapes alone," said Tokaryk.

The rules apply to low-rise rental buildings converted from single family use, and small apartment blocks. If there is only one stairwell, the buildings require a fire escape. These exterior fire escapes are visible from the outside on many low-rise rental buildings.

Recently the Ottawa Fire Service has been enforcing a new

rule which requires that the fire escape be not closer than 5 meters above a window of the building. Lesser distances apply when the fire escape is below or beside a window. The fear is that flames spouting out of a window could make the fire escape unusable.

But bedrooms need outside windows. The cost of retrofitting the windows for the fire escape rules is often prohibitive, making the cost-effective approach to brick up the windows. That can often turn a two bedroom apartment into a one bedroom apartment, reducing the landlord's revenue substantially. Just recently less expensive solutions have become available in the form of reinforced glass.

Alarm audibility is another source of concern. Due to a guideline issued by the Fire Marshall's office, the various Fire Services across Ontario are testing fire alarm audibility in a rigorous manner. The test requires a high level of audibility (i.e. noise) in the farthest corner of the

*(Continued on page 6)*

## A New Direction on Homelessness

The Alliance to End Homelessness ("ATEH") released its 2009 report card on March 30. It gave the city poor marks for its actions, and called for the spending of \$1.6 billion over the next 10 years to build 10,000 units of affordable housing.

While they mean well, it appears that the ATEH approach does not take the current fiscal reality into account. Fortunately, interest is developing in a more affordable solution to the homelessness problem.

Residential landlords want homelessness to end for the benefit of the homeless and for our own interests. Landlords are often naively considered to be part of the cause of homelessness. Some ill-informed commentators say: "if only landlords didn't charge such high rents, people could afford to rent"; or, "if only landlords didn't evict people, they wouldn't be homeless." Landlords know differently.

In reality, chronic homelessness is created by some combination of mental illness, substance abuse, inadequate life skills, inadequate social service supports and inadequate income supports. While the first three are largely the result of the human condition, the last two are squarely the responsibility of the government.

For example, within the welfare system the provincial government provides a shelter allowance which has the same

maximum in Pembroke, Brockville, Ottawa or Toronto. The amount is adequate in most of rural and small-town Ontario, but grossly inadequate in Ottawa and Toronto. A number of organizations advocate a new housing benefit for Ontario which would address that problem. EOLO supports that proposal.

There are also moves afoot to address the inadequacies in social service and mental health supports as they relate to homelessness. Until recently, the expectation was that we should treat the addictions or mental health issues that underlie most chronic homelessness, and then after those problems are stabilized or cured, move the rehabilitated homeless people into housing.

Recently, thinking has changed. The current approach is to use instead a "Housing First" model, in which the homeless are moved into housing, at the same time as they are encouraged to obtain treatment. "Housing First, But Not Housing Only," is the mantra. The justifications are that with housing first, the negative health effects of sleeping on the street or in shelters are eliminated, and the treatments are more effective.

To implement Housing First, the City of Ottawa has mandated a special priority within the social housing waiting list

*(Continued on page 7)*

## CFAA Joins with CPMA to Fight Bedbugs

For over forty years, bedbugs had been relegated to children's stories and fairytales, but no longer. Thanks to international travel and increased resistance to chemicals, bedbugs are becoming a fact of life in hotels, student residences, institutions and rental housing across Canada and the United States. Once a unit is infested, bedbugs can be found in bedding, clothing, backpacks and luggage, as well as electrical sockets. Bedbugs spread because they are excellent hitchhikers. They can also spread from one bedroom to an adjacent bedroom in the next apartment.

There is little that can be done to prevent bedbugs from coming into a property. The best approach is to be prepared to handle the issue when it does occur.

The Canadian Federation of Apartment Associations (CFAA) recently co-hosted a day long Bedbug Symposium with the Canadian Pest Management Association (CPMA) in Ottawa. Present at the event were Dr. Dini Miller, the foremost North American expert on bedbugs, and an official from Canada's Pest Management Regulatory Agency, as well as leading pest control operators and legal experts.

CFAA expects to issue material on managing bedbugs in the near future. Stay tuned for more information from EOLO.

## 2010 Tenant-Landlord Spring HOPE Food Drive

On April 13, many tenants and landlords will come together to help the Ottawa Food Bank collect food to assist the needy. Most large landlords in Ottawa work with the Food Bank to post notices and distribute bags in their apartment buildings. Tenant volunteers and building staff collect the bags of donated food within their buildings. Other volunteers transport the food to the Food Bank. Last year tenants and landlords collected more than 126,000 pounds of food, making the Tenant-Landlord Spring HOPE Food Drive the biggest food drive held in Ottawa.

## Political Briefs

The City of Ottawa's newest MPP is a familiar face. **Bob Chiarelli** was re-elected in Ottawa-West Nepean in a March by-election. Chiarelli was the Liberal MPP for Ottawa-West from 1987 to 1997 before becoming mayor of the newly amalgamated city of Ottawa. He lost the mayoralty in 2006 to the current mayor, Larry O'Brien. EOLO has had a good relationship with Chiarelli in his previous political roles. We are happy to see him back in politics representing Ottawa.

The race to be the next mayor of Ottawa is heating up. Former Ottawa-West Nepean MPP and Housing Minister **Jim Watson** is running, along with Bay Ward Councillor **Alex Cullen**. Current **Mayor Larry O'Brien** has yet to announce if he will seek re-election. The nomination period ends September 10. The election is October 25. More information on each candidate's biography and platform will appear in an upcoming EOLO newsletter.

## Fire Inspectors (cont'd)

*(Continued from page 5)*

building (which is often a bedroom) with all the doors closed between the hallway and the bedroom. Meeting the higher audibility level often requires an alarm horn in each suite. With the horn and the wiring, the cost can easily be \$1,200 or \$1,500 per suite. The additional horns will also raise annual inspection costs.

Ironically, in the fire retrofit of the 1990's, landlords were required to increase the fire separation capacity of all doors. Tighter door seals and thicker doors delay the spread of fire, but also makes sound travel less well.

Generally, building owners who meet the requirements upon construction, or on a specific retrofit date, do not have to make additional retrofits. Whether a guideline

can impose a retrofit requirement is a key issue currently going before the Ontario Fire Code Commission. Landlords across the province are waiting for its resolution.

"We'd like a consistent approach to the enforcement of the Code," says Mike Chopowick, manager of policy at the Federation of Rental-housing Providers of Ontario (FRPO). "It's been a patchwork of issues across the province."

Tokaryk says the best thing a landlord can do is to have a professional look at a building before the Fire Department visits. "As soon as the fire department knocks on your door, the clock starts. You have 30 days to show them you've made progress," he says. "It's a good idea to have your own inspector come to your property and look at your building because then changes are done on your schedule."

## Federal Budget (Cont'd)

*(Continued from page 4)*

was the implementation of the planned decrease in the corporate tax rate. While this affects only one third of CFAA members, it is nonetheless a benefit to many major rental housing providers who hold their property through one or more corporations.

Many rental housing providers will be pleased the federal government did not increase its investment in social housing. The 2010 budget announced only \$1 billion for social housing, with much of that coming in the form of funding for badly needed repairs. The government also made an investment in special needs housing for those requiring support services as part of the \$1 billion.

Rental housing providers will also be happy to hear about the government's \$6 billion investment in municipal and provincial infrastructure. This money will have several beneficial consequences for landlords. First of all, additional funds will allow municipalities to do more without raising property taxes. Second, there is a good chance that

much of this money will be used for transit facilities, which is often good news for tenants and rental buildings. Third, infrastructure funds often create jobs which help tenants to continue to pay the rent.

Finally, the budget extended Employment Insurance (EI) benefits to a cost of \$1.5 billion dollars. Many of those who receive EI benefits rent their homes; therefore, this increase will help people afford their apartments.

While all the above measures are helpful to the rental housing industry, John Dickie stressed CFAA members should not lose sight of the primary advantage of this budget: no new taxes. "In a time where there are huge deficits, governments often raise taxes," he said. "I am happy we didn't see that with this government."

*EOLO is one of 17 members of the Canadian Federation of Apartment Associations, the sole national organization representing the interests of Canada's \$40 billion private rental housing industry, which provides homes to more than seven million Canadians.*

## Homelessness (Cont'd)

*(Continued from page 5)*

for the homeless (and for victims of spousal abuse). The City now requires that "only" 60% of vacancies in social housing be filled from tenants now living in private rental accommodation, 20% are to be the homeless and 20% the victims of spousal abuse.

That reform has put a strain on social housing, and especially on Ottawa Community Housing (OCH), the city's public housing agency. The homeless were moved in without any special supports. In many cases they did not conform to the behaviour expected in rental buildings, and OCH evicted them. Once evicted, the problematic tenants were again homeless.

The City has now provided some mental health and other supports to help OCH cope with the new, more problematic residents, and to help the new residents keep their housing. City Council deserves high marks for recognizing that need.

In addition, Ottawa's Leadership Table on Homelessness has engaged leading members of the business community. The Leadership Table has grasped that the key missing element is the social service supports to maintain the homeless in housing. Ottawa already has 24,000 units of social housing. Already 1800 units turn over every year. If all we

had to do to end homeless was to put the homeless in an apartment, we could solve the problem in about 8 months through regular turnover. However, besides the units, the supports must be put in place.

Of course an apartment is also needed, and the units need to be spread out to avoid an excessive concentration of the homeless in any building. Osgoode Properties is providing rental units for a pilot project in which the supports will be provided by the Housing Response Team ("HRT"). Over the last 18 months the HRT has been successful in housing 62 homeless people in ordinary economical rooms and apartments, mostly in Centretown and Lower Town.

The solution which would work for landlords, as well as the homeless, is for governments to provide the supports that are needed, and adequate funding to pay for the necessary housing. That housing could be special purpose supportive housing, or units in ordinary buildings where the landlord has agreed that social service agencies will provide supports. Since the supports are needed wherever the housing is provided, the use of existing rental housing is much more economical for the government.

EOLO looks forward to assisting in resolving the homelessness problem through means other than unnecessary and unaffordable investments in new social housing.

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*Please contact Erin Wallace at (613) 235-9792 to discuss advertising opportunities.*