

NEWSLETTER

October 2010

City of Ottawa Municipal Election-issues of concern to landlords

Historically, the most significant regulations that affect the rental housing industry have been mostly provincial, i.e. the landlord-tenant rules and rent control rules found in the Residential Tenancies Act. However, the municipal level of government has become increasingly more important to our industry in recent years. The City has a significant effect on landlords and on how we can operate our properties.

On Monday October 25th, residents of the City of Ottawa will elect a Mayor and City Council that will govern us for the next four years. All individuals who have an interest in the rental housing industry and can vote in Ottawa should carefully consider their choices when they approach the ballot box.

As a policy, the Eastern Ontario Landlord Organization (EOLO) does not endorse candidates for political office. However EOLO does want all voters to know the major candidates' positions on two issues of interest to landlords, namely housing policy and property taxes. EOLO expects to send out an updated report on the platforms on rental housing for the main mayoralty

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candidates and for the leading candidates in certain wards.

HOUSING POLICY

The City is responsible for social housing, and oversees some 24,000 social housing units. The City had set a goal of building 500 additional units for social housing per year. The City has fallen short of that goal, because building new housing to expand the social housing stock is an incredibly expensive proposition. Meanwhile, the current social housing stock is in need of hundreds of millions of dollars in unfunded repairs.

The smarter idea is for government to provide housing allowances directly to tenants to help them pay for the

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CFAA study finds massive favouritism to homeowners over renters

- Government benefits to homeowners six times higher than to renters

On average, the federal government provides six times the benefits to homeowners that it provides to people who rent their homes in the private market. Considering that tenants have on average only half the income of homeowners, that is outrageous.

With financial assistance from the Federation of Rental-housing Providers of Ontario (FRPO), CFAA recently obtained a research report identifying the total amount of program spending, tax credits and tax expenditures received by private-market renters and by homeowners

from the federal government across Canada, and for each of the three levels of government in Ontario.

The key findings of Dr. Frank Clayton, an urban and real estate economist, are the following:

- In 2009, the Government of Canada spent \$15.8 billion in subsidies to homeowners, over 12 times the amount going to support renter households in the private market.

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Fall 2010 Networking Event

EOLO's 11th semi-annual Networking event for our landlord and associate members will be held at the Centurion Conference and Event Centre in Ottawa on Thursday, October 7, 2010 between 5:00 to 7:00 pm with an industry update and educational sessions prior to the Networking Event.

Spring 2010 Networking Event

Our previous Spring Networking event, held on Wednesday, April 7, 2010, 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.

Spring 2010 Networking Event Sponsors:

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rental units they choose, and focus new construction on supportive housing. Instead of spending money trying to make brand new apartments affordable to a handful of social housing tenants, governments could provide meaningful assistance to thousands of low income tenants, who now rent in the private rental market. Housing allowances and rent supplements are both cost-effective choices. Rent supplements work well for moving people from homelessness into housing.

Homelessness is often the result of mental health problems and/or drug or alcohol addiction. Keeping low-income people with such problems housed usually requires social service supports as well as financial support. The classic example is supportive housing. More recently there is a growing trend to provide social service supports for people to live in dispersed rental units where the financial support is in the form of Rent Supplements. This is one way to implement the "Housing First, but not housing only" model, which shows considerable promise.

Jim Watson

Jim Watson's recently announced housing policy is to use part of the savings from Provincial uploading to increase annual spending by the City of Ottawa by \$14 million per year to address homelessness. His plan is to dedicate

\$5M towards an expanded rent supplement program, \$4M to boost efforts to fix and add to low-income housing available in Ottawa, and \$5M to create an Opportunities Fund to be invested based on discussions with the housing sector, for a variety of needs from new construction and renovations to supportive housing.

Mr. Watson lists as a significant accomplishment during his years as Minister of Municipal Affairs and Housing, his creation of a permanent Rent Bank, so that tenants can have a resource to help them pay their rent arrears to save their tenancies. In 2007, Minister Watson signed the largest affordable housing program in Ontario history, which included \$302 million for social and supportive housing and \$80 million for rent supplements and housing allowances.

Larry O'Brien

As of a month before the election, Mayor O'Brien has yet to release his housing policy.

During his four years as Mayor of Ottawa, Larry O'Brien was a founding member of the Leadership Table on Homelessness. This group has advocated for a Housing First solution to homelessness; namely, to provide chronically homeless people with dedicated support services to help them stay housed in social or private

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CFAA 2010 Conference a Great Success

Residential landlords from across Canada gathered in Vancouver in June for the CFAA 2010 Canadian Rental Housing Conference, presented by the Canadian Federation of Apartment Associations (CFAA). The conference had a great turnout, interesting speakers and a keen audience.

Besides the valuable information presented at the sessions, the conference was an opportunity for Canada's rental housing investors to come together, exchange news and network. CAPREIT was the first landlord to take advantage of the forum for this purpose. At the beginning of his address to delegates, CAPREIT CEO Tom Schwartz announced, "Today CAPREIT has 1,960 rental units in British Columbia, but we are seeking to acquire more. I hope that in two years, I can stand at this podium and tell you that we have 3,000 units in BC."

The conference brought together over 170 senior

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John Stang of Minto and Steve Ryan of Ferguson Properties take a moment to smile for the cameras during a networking break.

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rental housing. John Dickie, Chair of EOLO; Stephen Greenberg, Osgoode Properties; and Jim Watson are also members of the Leadership Table.

The Ottawa Citizen report on the Kiwanis Club of Ottawa debate held on September 24th stated that Mayor O'Brien's response to calls for more City investment in affordable housing was that it's important for private-sector developers "to incorporate homeless accommodations in larger accommodations."

Clive Doucet

As of a month before the election, Mr. Doucet has yet to release his housing policy, although it was reported by *The Ottawa Citizen* that Mr. Doucet has declared property developers as target number 1 of his campaign. His website begins with the line "I'm not running to be the developers' go-to-guy..."

A councillor since 1997, Mr. Doucet has been supportive of building new social housing and generally been unsupportive of housing allowances or rent supplements.

The Ottawa Citizen report on the Kiwanis Club of Ottawa debate held on September 24th stated that Mr. Doucet's response to calls for more City investment in affordable housing was that he would start a land trust for social housing.

Andy Haydon

As of a month before the election, Mr. Haydon has not released a housing policy. However, he has indicated to EOLO that he is supportive of housing allowances or rent supplements as the better solution to a lack of affordable housing.

PROPERTY TAXES

One of the most unfair aspects of the property tax system is that multi-residential property pays a much higher tax rate than a single family home.

When the Province made the City responsible for property tax policy in 2001, the ratio of multi-unit tax to single family tax was 2.37 to 1. Since then, Ottawa City Council has taken a number of gradual steps to reduce the tax ratio on multi-residential properties. In 2009, City Council reduced the tax ratio from 1.75 to 1.70 (so that the municipal tax rate charged to apartments became only 70% higher than the residential tax rate). City Council

rejected a further move towards equity in 2010 by a vote of 11 to 9.

During the last term of City Council, property taxes in Ottawa have increased by 14%. However, due to reductions in the multi-residential tax ratio, the property taxes on most multi-residential property have increased by much less over that period.

Jim Watson

Mr. Watson has pledged that he will limit property tax increases to 2.5% per year.

Mr. Watson has not declared a position on multi-residential taxes, but told EOLO that he will keep an open mind on the issue. As a senior cabinet member in the Provincial government, and a former Minister of Municipal Affairs and Housing, Mr. Watson is almost certainly aware that it is outrageous to force lower-income residential tenants to pay a higher rate of taxation than higher-income homeowners.

Larry O'Brien

In the 2006 mayoralty race, Larry O'Brien was adamant that he would not increase taxes or user fees during his term as Mayor, saying, "Zero means zero."

Throughout his term, residential property taxes have increased by a total of 14%, and user fees and utility costs increased substantially. Mayor O'Brien has stated that he tried to avoid tax increases but was unable to do so because of a lack of support around the Council table.

Mayor O'Brien has reiterated his desire to avoid future tax increases and has been dismissive of Mr. Watson's pledge to limit tax increases to 2.5%, noting that such increases would cost taxpayers \$303 million over the next four years.

Mayor O'Brien has not been supportive of reducing the multi-residential tax ratio. He participated in five recorded votes about lowering multi-residential taxes, and in each case he voted against tax fairness for tenants and landlords.

Clive Doucet

Clive Doucet's mayoralty platform seeks to lower taxes by reducing money spent on roads, changing the transit plan, and cancelling the Lansdowne Park redevelopment plan.

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CFAA study finds massive favouritism to homeowners over renters (cont'd)

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- On a per household basis, the federal government gives homeowners an average of \$1,823 in subsidies, while renters only receive an average of \$308 per household.

The figures for the federal government across Canada are shown below in table 1.

The situation is very similar when one looks at the spending of all levels of government in Ontario, shown in table 2.

Total program spending and tax subsidies in Ontario amounted to an average of \$2,629 per homeowner household, but only \$395 per renter household in the private rental market.

A full copy of the report can be found at www.cfaa-fcapi.org.

"Homeowners receive a truly staggering array of subsidies and tax breaks compared to tenants," said Vince Brescia, President and CEO of FRPO. "It is appalling that this regressive discrimination occurs despite homeowners having double the incomes of tenants on average. The net effect is that renters are forced to subsidize homeowners."

CFAA will be using the report to advance our claims that renters deserve better treatment in order to move toward equal tax treatment with homeowners. A major tax benefit for homeowners is that the capital gains on their principal residence are not subject to income tax. On the

other hand, rental property is subject to capital gains tax. Landlords pay the government, but in the competitive market those taxes are ultimately paid by tenants through their rents. Deferring the tax on sale and reinvestment would reduce landlord costs, which should moderate rents. Tax deferral on sale and reinvestment in rental property would be a useful first step toward a fairer tax and subsidy system.

CFAA's city-based associations in Ontario can use the report to advocate for fairer property tax treatment. Through their rents, tenants in Ottawa currently pay 1.7 times the tax rate of homeowners.

CFAA may also use the report to advocate for direct assistance to tenants in the form of rent supplements or portable housing allowances. Ontario has taken some steps in that direction with the Rental Opportunities for Ontario Families (ROOF) program, and also the expanded rent supplement program announced September 16. However, Ontario lags far behind Quebec, Manitoba, Saskatchewan and British Columbia in using direct assistance to help renters with affordability problems.

There is much work to be done to achieve fairness for renters (and landlords) from all three levels of government in Ontario, and across Canada.

ELO 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 for more than eight million Canadians.

Table 1: Federal government housing subsidies by tenure: 2008/09

Tenure	Subsidies	Number of households	Average subsidies per	Average pre-tax household income (2008)
Owners	\$15,816,000,000	8,677,662	\$1,823	\$91,122
Renters	\$1,264,000,000	4,109,370	\$308	\$43,794

Table 2: Government housing subsidies by tenure in Ontario: 2008/09

	Tenure	Federal	Provincial	Municipal	Total
Total Private-market Subsidies	Owners	\$6,104,000,000	\$1,569,000,000	\$697,000,000	\$8,370,000,000
	Renters	\$479,000,000	\$83,000,000	\$0	\$562,000,000
Average Subsidy per Household	Owners	\$1,917	\$493	\$219	\$2,629
	Renters	\$337	\$58	\$0	\$395

2011 Guideline set at 0.7% - the lowest ever

For rent increases taking effect in 2011 the rent increase guideline is 0.7%, the lowest guideline since the inception of rent control in 1975. The guideline is equal to the Consumer Price Index for the period from May 2009 to April 2010, when the CPI was at a low point (due to a decline in energy prices after their peaks.)

The timing of the low guideline is extremely unhelpful, coming as it does shortly after the July 1, 2010, imple-

mentation of the Harmonized Sales Tax (HST), which has driven up landlord costs substantially.

Some of the effect of the HST will be reflected in the CPI and the guideline for the next two years, but most of the tax-driven cost increases will not find their way into the guideline since the HST impacts much more on landlord costs than on the CPI as a whole.

CFAA 2010 Conference (cont'd)

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executives, real estate investors, property managers, hands-on owners, lenders, industry suppliers and energy consultants to discuss important issues in Canadian rental housing. Delegates could choose between two streams of sessions, one geared to senior executives and rental housing investors, and the other for more hands-on issues.

The theme of the first day was Energy and the Environment, including topics such as energy market regulation, smart metering, energy price outlook, electricity and fuel saving measures, new energy technologies and financial evaluation of energy savings. Delegates heard from speakers such as CAPREIT's Mark Kenney, Minto's John Stang, Hollyburn Properties' Paul Sander, and Boardwalk's David McIlveen, as well as speakers from the British Columbia Energy Ministry and BC Hydro.

On the second day, speakers such as Tom Schwartz, Scott Ullrich, CEO of Gateway, Cameron Muir, chief economist at the BC Real Estate Association and Robyn Adamanche of CMHC spoke about the economy in 2010 and 2011, multi-family sales and the CMHC Rental Market Report for April.

At the end of each day, breakout sessions allowed delegates to get up close and personal with the speakers. "I really enjoyed the discussion groups," said one delegate. "It allowed people to focus on what was important to them."

Feedback from the delegates has been very positive. "Without exception, speakers were very knowledgeable," said one delegate. "I really enjoyed the theoretical



Tom Schwartz, CEO of CAP-REIT addresses the delegates at the CFAA Investment Conference.

presentations followed by real examples that have been implemented," wrote another.

With the success of this year's conference, CFAA is hard at work organizing the 2011 Rental Housing Conference, which will take place June 16 and 17 at the Westin Prince Hotel in Toronto. Registration will be available in the new year. EOLO will provide you with information as it becomes available, or visit CFAA's website at www.cfaa-fcapi.org.



Conference attendees listen intently in Ballroom during an Executive/Investor session.

Spring Hope Food Drive Collects 130,000lbs - A new record

The 2010 Spring Hope Tenant-Landlord Food Drive was a great success, collecting 130,000 pounds of food for the Ottawa Food Bank, a new record.

More than 20 landlords and property management companies participated in the drive that collected non-perishable food items from more than 170 Ottawa apartment buildings on April 13.

Organizers said none of it was possible without the hundreds of volunteers who collected and transported boxes of food to the Food Bank. "The real heroes are the tenants who contribute the food, as well as our building and staff volunteers who collect the donations in the buildings," said John Dickie, Chair of the Eastern Ontario Landlord Organization (EOLO).

"There is a pressing need for emergency food assistance in our city and we want to support the Ottawa Food Bank as they fulfill their mission of fighting community hunger. Providing the information and collection network for this special food drive is one way that landlords in Ottawa give back in the community."

This was EOLO's fourth year leading the Ottawa Tenant-Landlord Food Drive. This year's total was the most food collected in the 10 year history of the food drive. For the Ottawa Food Bank, this campaign came at a time when



Spring Hope Food Drive volunteers show off the 130,000 pounds of food collected during this year's campaign.

people aren't thinking about donating, but donations are badly needed.

"These donations will help us get through the next few months, when donations tend to dwindle as the public's thoughts turn to warmer weather and other activities," says Peter Tilley, Executive Director of the Ottawa Food Bank. "We are especially fortunate this year to have an even bigger army of volunteers out collecting food and transporting donations back to our warehouse. This drive could not happen without the time and effort that those people gave us wholeheartedly."

EOLO and the Ottawa Food Bank would like to thank the many landlord and property management companies which participated in this year's drive including: Arnon, Capital Properties, CLV Group, Devonshire Properties, District Realty, Elk

Properties, Glenview Management Ltd., Homestead, I.P.T Investments, Minto, Osgoode Properties, Paramount Property Management, Q Residential, Real Star, Rio Vista, Taggart Realty Management, The Regional Group, Timbercreek, Urbandale and Vertica Resident Services.

EOLO and the Ottawa Food Bank look forward to a successful Tenant-Landlord Food Drive in 2011.

City of Ottawa Municipal Election (cont'd)

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As a councillor, Mr. Doucet leaned towards increasing property taxes to avoid service reductions or labour disruptions.

During his most recent term on City Council, Mr. Doucet voted in favour of reducing the multi-residential tax ratio in the three recorded votes that he participated in, although he was absent from the Council table for the vote in 2010. He was also very supportive of lowering the ratio in his previous terms on City Council.

Andy Haydon

Andy Haydon has a long history of fiscal prudence in municipal affairs. Mr. Haydon has stated that the \$2.1 billion light rail plan is "an enormous waste of money which will result in higher taxes and prevent the City from pursuing any other ventures."

Mr. Haydon has not declared a position on the multi-residential tax ratio, although he is generally more sympathetic towards landlords than most other City politicians.

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