



**Submission for Long-Term Affordable  
Housing Strategy (LTAHS)**

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## **EOLO Submission for Long-Term Affordable Housing Strategy (LTAHS)**

### About EOLO

The Eastern Ontario Landlord Organization (EOLO) represents the owners and managers of over 35,000 rental units in the City of Ottawa, including most of the largest landlords and multi-residential developers in Ottawa, in addition to many medium and small landlords. Our members include property managers as well as owners who manage their own properties, including sole proprietors, partnerships, and corporations.

EOLO promotes policies that support a healthy rental housing sector. We are in favour of the free market, choice for tenants, and fair taxation at all levels. We also encourage education and improvement in industry standards. Our members want an ample supply of rental housing in the marketplace, satisfied customers (i.e. renters), satisfied employees, satisfied suppliers and satisfied owners and investors.

We believe that landlords and renters have a common interest in free rental markets, in fair taxation of residential rental property, in high industry standards for customer service and in housing assistance that supports tenants' rights to choose their housing and to move when and if they please.

### EOLO Response to Consultation Questions

#### **1. What specific roles should each of the housing partners play in the delivery of affordable housing?**

The key to making housing affordable is to address the root of the affordability problem – low income. It is the Government's role to influence the distribution of income in a way that makes housing more affordable for persons with low and moderate incomes. EOLO believes that this can best be done through housing allowance programs, set out in more detail below. It is the most effective housing strategy that helps the largest number of people, and it requires few administrative resources in comparison to other housing programs.

#### **2. What changes are needed to our housing programs to better use resources and improve access to affordable housing? Changes could include modifications to the Affordable Housing Program or the simplification of housing and homelessness programs.**

EOLO encourages the Ontario Government to implement cost-effective programs for the assistance of tenants in need. Specifically, EOLO encourages the Ontario Government to implement or continue the following services, programs and policies:

- Portable housing allowances to address affordability needs In particular, EOLO supports the Housing Benefit proposal from the Daily Bread Food Bank, ONPHA and other groups;

- Supports and transitional housing for the homeless;
- Supportive housing for those with special needs and the hard to house;
- Rehabilitation of the current social housing stock; and
- Supports to maintain tenants-at-risk of homelessness in their homes (e.g. the Rent Bank, counselling programs, and social service supports).

In order that the rental market can function more effectively and serve the needs of Ontarians better, EOLO encourages the Ontario Government to:

- Restore a landlord’s ability to convert to condominium or demolish when market conditions so dictate;
- Reduce restriction on land use (e.g. allowing greater density);
- Reduce impediments to development (e.g. reducing development charges and avoiding mandatory inclusionary zoning);
- Make rent control less restrictive; and
- Lower taxes on rental housing.

EOLO’s submissions with respect to the following programs and services are discussed in greater detail below:

a) Portable housing allowances and the proposed housing benefit	p. 2
b) Focused funding for supportive housing	p. 4
c) Rent regulation <ul style="list-style-type: none"> <li>• See consultation question #4</li> </ul>	p. 6
d) Reducing impediments to development (e.g. inclusionary zoning) <ul style="list-style-type: none"> <li>• See consultation question #4</li> </ul>	p. 7

a) *Portable Housing Allowances and the Proposed Housing Benefit*

EOLO encourages the Government of Ontario to enhance current programs to provide adequate income support for low-income Ontarians so that they can afford adequate and suitable rental homes, which they can choose for themselves within the private rental market. Such income support would generally be in the form of disability payments for those unable to work, employment insurance for those without work, training benefits for those who are re-training, social assistance for others, and housing benefits or portable housing allowances or rent supplements particularly for people in areas with high housing costs, such as Toronto and Ottawa.

Housing allowances provide timely assistance to families while avoiding forced moves and leaving families with the ability to move in the future as their housing needs change. When seeking appropriate accommodations, it is clear that individuals will be drawn first to familiar and comfortable surroundings. The environment alone will contribute to a successful tenancy in that there will be less stress in finding friends, shopping,

transportation, and other support services. Almost all Canadian households already have suitable housing in reasonably good repair, but they may have trouble paying for it. Unfortunately, more often than not, people are forced away from their preferred environment in order to take up a subsidy in public housing. Because current rental subsidies are typically attached to the housing unit and do not allow the beneficiary to choose his or her own home, unnecessary disruptions and detachment from supportive networks occur.

Along with many in the social housing movement, Ontario's apartment associations are promoting a new Housing Benefit based on a proposal from the Daily Bread Food Bank, two major Charitable Foundations and the Ontario Non-Profit Housing Association, as well as the Greater Toronto Apartment Association (GTAA) and the Federation of Rental-housing Providers of Ontario (FRPO). EOLO supports the Housing Benefit proposal.

The Housing Benefit, like other properly designed housing allowance programs, provides a housing allowance to low-income Ontarians based on their rent and income. It can include all low-income people, both those on social assistance and those who are working but low income.

To deal with affordability issues, housing allowances are excellent policy tools because they:

- allow tenants to choose where to live;
- avoid the rationing inherent in waiting lists;
- can provide immediate assistance to those most in need;
- use the existing economical housing stock, rather than newly built (and therefore expensive) housing;
- achieve income mixing without the cost of subsidizing middle income tenants;
- avoid NIMBY problems
- allow the available funding to be spread more equitably among more low income tenants;
- allow flexibility in program design to respond to different regional needs and provincial budgets;
- avoid any requirement that recipients move; and
- avoid the stigma attached to living in public or social housing.

Portable housing allowances:

- allow tenants to keep their housing assistance when they move to take a new job or for any other reason;
- can easily be used in rural areas and small towns where there are no large rental buildings;

- can be provided without the landlord or neighbours even knowing the tenant receives a subsidy;
- can easily be extended to assist low-income homeowners; and
- can be administered at very low cost.

Such programs would significantly improve both housing and poverty outcomes in Ontario. They would involve minimal new cost to government, provided there are significant reallocations of existing program spending to support the new design.

The Housing Benefit would address housing affordability. There is a growing gap between incomes and rents, especially in high cost communities. 1 in 5 Ontario tenant households spend more than 50% of their income on housing. There are currently 129,000 households on social housing waiting lists in Ontario. As it stands, most of them receive no housing assistance.

The Housing Benefit would improve social assistance. The current shelter allowance is low and not well targeted. The “one size fits all” shelter allowance does not account for housing cost variations in communities. Increases in the shelter allowance component have been low. Only those receiving social assistance receive shelter allowance. The working poor and homeless often cannot access benefits. The Housing Benefit proposal would address those concerns.

*b) Focused Funding for Supportive Housing*

Government funding should be focused on the necessary social service supports and new housing for special needs, especially addressing accessibility needs and support for the hard-to-house or homeless.

There is a significant segment of the homeless population who require extensive interventions. In these cases, it is in the individual's best interests to reside in an environment that provides not only the financial supports but also the social service supports required to sustain the tenancy. Certain individuals and families are in need of the assistance of support workers and agencies readily available in the city-managed communities in larger cities. However, these services are not widely available outside of the structured social housing framework, except in cases where a support agency has entered into separate agreements with a private market housing provider for specified units.

When it is apparent that these supports are required in order to encourage a sustainable tenancy, it is often in the best interests of everyone (the client, the landlord, the neighbours, the social housing provider and the taxpayer) to offer accommodations in supportive housing environments or those housing units attached to support services. The failure of the tenancy in another environment could create undue hardship on all parties and fails to provide even the most basic needs for the client. It displaces not only the client, but also neighbouring tenants who are unnecessarily inconvenienced and undoubtedly suffer emotional and financial harm. A failure of the tenancy

establishes yet one more failure that the individual must deal with and has a serious impact on that person's self-confidence.

With specific reference to the Ottawa market, these supports work well when they are formalized. In public housing, Community Relations Workers (CRWs) are available for residents where they have self-identified or where problems have arisen. Unfortunately, the majority of the support offered is reactive rather than proactive and may come too late to save the tenancy.

Faith-based organizations and others who are dedicated to promoting the social good are best suited to address the needs of emergency shelters and supportive housing for those with special needs, including those with addictions, mental illness, or serious handicaps. The private sector is best suited to provide housing for which there is effective demand at the lowest cost. It is in the various needs for supportive housing that the private sector does not have the ability to serve.

### **3. What changes are required to the *Social Housing Reform Act, 2000* to reduce the regulatory burden and improve the management of social housing?**

The *Act* should allow for flexibility with respect to the affordability standard. The eligibility rules and requirements should recognize that one and two person households can generally afford to pay somewhat more than 30% of income for housing.

The *Act* should explicitly provide that a tenant is not eligible for a unit located in a building that is covered by the Crime Free Multi-Unit Housing Program unless they meet the requirements of the program. The Crime Free Multi-Unit Housing Program benefits many tenants of all income levels. Many low-income tenants want to take up a rent supplement in a building that is covered by the program. Absent an explicit provision in the *Act*, some service providers take the position that a landlord cannot require that the tenant meet the requirements of the program to be eligible for the unit. That is a barrier to providing law-abiding tenants with safe accommodation. The program helps keep drugs and other illegal activity out their living environment.

The *Act* should permit social housing providers to sell properties for the purpose of reinvesting the proceeds from the sale into other housing, whether it be for repair or otherwise. It may make sense, for example, to sell a run-down low-rise building to make way for a larger development that can house many more persons. Such new developments can free up rental units for low-income households, discussed further below.

### **4. What creative new ideas could improve the current housing system? This could include new planning tools, innovative financial options and new green technologies.**

Some housing advocates are seeking inclusionary zoning requirements for development and tighter rent controls as a way to improve the current housing system. However, as explained below, such measures actually have the opposite effect.

c) *Rent Regulation*

Some housing advocates suggest that making the current rent control system more restrictive would make housing more affordable. However, rent controls discourage investment in the rental housing sector, reducing both the construction of new units and maintenance of existing units. The result of misguided rent control policies is less choice for tenants and reduced government revenues from a depressed multi-residential real estate market.

The Thom Inquiry was set up during the 1980s to examine Ontario's policies on residential tenancies. The "real problem facing households with an affordability problem," says Thom, "is not that rents are too high, but that their incomes are too low.

Thom states categorically that in "a rent regulation system which holds rents below fair market rent... relatively little of the resulting tenant benefit will actually accrue to low income tenants." Low income tenants end up paying more when rent control is tightened because:

- Less rental housing is built. This creates a general shortage of units.
- When rent controlled rents are below market level, that skews the price comparison between renting and owning and leads middle and higher income tenants to stay in their rental units rather than switch to home ownership.
- With limited number of units those units will go to those applicants who have the better tenant references and incomes. That means that the lower income tenants cannot find apartments.
- Lower income tenants are the ones who have to face the housing shortage caused by rent control.

After his exhaustive inquiry from 1985 to 1987, Commissioner Thom reached the following conclusions:

- "Rent regulation is not an appropriate means of alleviating affordability problems because the negative consequences of restrictive regulation out weigh the benefits realized by low-income households,"
- "The costs associated with socially assisted housing are high and no level of government has the funds to meet fully the demand for assisted housing. ... assisting low-income households primarily through publicly financed housing would be a massive and expensive undertaking."
- Budgetary programs, such as a housing allowance, can do much to ease the affordability problem of low-income households.

d) *Reducing Impediments to Development*

Some housing advocates are seeking inclusionary zoning requirements for development, i.e. requirements that developers sell a certain number of units in every development to low- and moderate-income persons at below market prices. However, inclusionary zoning is actually an impediment to affordable housing and supply. The Government of Ontario should not institute legislation to enable inclusionary zoning.

Inclusionary zoning is not an efficient method of increasing the supply of affordable housing. In fact, it appears to have the opposite effect. Economists widely agree that inclusionary zoning is a price control, and price controls result in excess demand and decreased supply. In a recent paper on the economics of inclusionary zoning, economists Benjamin Powell and Edward Stringham state:

Many advocates of inclusionary zoning say that price controls are needed because a free market would not provide affordable housing. ... the advocates of inclusionary zoning are ignoring economics and, as a result, are making a fundamental error. Economists of all stripes have shown that the cause of the affordability crisis is not the free market, but excessive government regulation.<sup>1</sup>

Powell and Stringham note that:

[t]he twist of inclusionary zoning is that if builders want to produce non-price-controlled units, they must also provide a certain number of price-controlled units. Unless these units are subsidized by government or some private charity, these price controlled units become an obligation (or an economic burden) on a development. The cost, which economists refer to as an opportunity cost, is the difference between the level of the price control and the level that the units could have fetched on the market. To the extent that subsidies do not cover the costs of below-market units, inclusionary zoning, much like development impact fees, will act like a tax on market-rate development.<sup>2 3</sup>

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<sup>1</sup> Benjamin Powell and Edward Stringham, "The Economics of Inclusionary Zoning Reclaimed: How Effective Are Price Controls?", *Florida State University Law Review*, (2005) Vol.33:471, 493.

<sup>2</sup> *Ibid.*, p.477.

<sup>3</sup> If subsidies fully cover the shortfall, then there is little need for the inclusionary zoning in the first place.

In another recent paper on inclusionary zoning, Powell and Stringham point out that price controls do not actually help achieve more housing affordability and that they actually decrease supply, which tends to make housing less affordable. They state:

Price controls do not address the cause of the affordability problem. Price controls fail to get to the root of the affordable housing problem. Indeed by causing fewer homes to be built they actually make things worse.<sup>4</sup>

**The data [in California] indicate that the number of units pushed out of the market by inclusionary zoning is much larger than the number of “affordable” units built.** Advocates of price controls must recognize that their programs lead to only a handful of below-market units coupled with a sharp decrease in market-rate homes.”<sup>5</sup> (my emphasis)

Studies show that restricting housing prices to below-market rates creates a situation in which only a few people can find units at the low price, which of course burdens the majority of consumers. ... Thus, **price-controlled units created by inclusionary zoning benefit a select few and create shortages for others.**<sup>6</sup> (my emphasis)

As in any form of price controls, inclusionary zoning means that someone has to bear the cost of the difference between the market price and the controlled price. Either the government offers a subsidy to the developer, or the cost is born by ultimate consumers – often the middle-income new homebuyers. The result is a net increase in the cost of housing, or a decrease in supply due to the disincentive on the developer.

So how do low income families normally gain access to improved housing? Powell and Stringham describe how low income families normally gain access to improved housing as follows:

...most entry into the housing market by lower-income families is by buying older homes freed up when middle-income families move into new homes. Reducing the overall

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<sup>4</sup> Benjamin Powell and Edward Stringham, *Housing Supply and Affordability: Do Affordable Housing Mandates Work?*, Reason Foundation Policy Study 318. Los Angeles: Reason Public Policy Institute, April 2004, p. iii.

<sup>5</sup> *Ibid.*, p.21.

<sup>6</sup> *Ibid.*, p.8

production of housing both drives up prices and means that the people crowded out of the housing market are the lower-income would-be homeowners.<sup>7</sup>

Economics shows that **all income levels benefit even when new construction is high-priced.** The reason is due to the interaction between the various housing markets, which includes the market for new housing and the market for existing housing. Consider what happens when a high-income family moves into a high-priced new home. When the family moves into new construction, its old home is freed for someone else, typically a family of lower income looking to upgrade. If instead a middle-income family moves into that home, its old home is in turn freed up for a lower-income buyer. As each income group moves up, its old home is freed for someone else, allowing many people to upgrade. Economists refer to this concept as filtering, because as families upgrade homes, the old homes filter down to those people who could not afford them before. The added benefit of this process is that it puts downward pressure on prices of all homes.<sup>8</sup>

The price-controlled homes obtained through inclusionary zoning do not put downward pressure on the rest of the housing market because there are too few of them, and only select people can buy them.

We urge you to consider these points in deciding what government policies can best help low income people satisfy their housing needs.

**5. What should be used as the housing indicator for Ontario's Poverty Reduction Strategy? In this context, what do terms like affordable, adequate and suitable housing mean to you?**

EOLO submits that a more accurate and appropriate measure of affordable housing is required. In particular, the current 30% standard for affordability should be revised to recognize that one and two person households can generally afford to pay somewhat more than 30% of income for housing.

In addition, measures must look at housing affordability across the whole population, not merely rental households, since reduced relative rents lead to increased household formation and increased incomes lead people to buy homes, and those affordability improvements are not reflected in a measure which looks only at the average rent-to-income ratio of rental households.

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<sup>7</sup> *Supra*, note 3, pp.20-21.

<sup>8</sup> *Supra*, note 1, p.496.