PETER GOLDRING

Member of Parliament
Edmonton East

Peter Goldring, the Conservative Member of Parliament for Edmonton East, was first elected to the House of Commons in June 1997. Over the past 11 years he has been extensively involved in the homeless and housing issues, including authoring a book in 2000 - "Housing Affordability: An Edmonton Concern and a National Challenge" - and currently is the federal parliamentary representative on the Edmonton Committee to End Homelessness.

Mr. Goldring was born in Toronto in 1944 and lived in Ontario and Quebec for the first 28 years of his life. He served with the Royal Canadian Air Force from 1962 to 1965 where he received electronics and police training.

After his service he worked in the Toronto office of Unelco, an electrical systems manufacturer based in Pointe Claire, Quebec. In 1972 he was transferred to Edmonton to open and manage Unelco's Alberta office. In 1973 he ran a successful campaign to have smoke detectors made mandatory in all Edmonton rental apartment buildings, the first city in Canada to do so.

In 1974 he started his own business, Systems by Sentron (Canada) Ltd., and was a supplier and manufacturer of communication and signaling systems. Over the next 23 years he built it into a successful manufacturing, distribution and servicing company, supplying thousands of new building projects, before selling the company to run for public office in 1997.

For more than 40 years he has been involved with architects, engineers, specifications, codes and regulations for most forms of commercial and institutional construction, including multi-unit housing projects. He worked with municipal, provincial and federal authorities to help formulate regulatory statutes for high-rise emergency fire communication systems as well as commercial pre-engineered fire suppression systems. It is this experience that he brings to the table when discussing housing affordability and suitability.

Mr. Goldring has been married to Lorraine for 34 years and has two daughters, Corinna and Kristina, and one granddaughter, Katelin.

Housing Affordability Revisited 2008 *Peter Goldring, M.P.*

Encourage private sector rental housing or build social welfare housing

HOUSING AFFORDABILITY

STILL AN EDMONTON CONCERN AND A NATIONAL CHALLENGE

PETER GOLDRING
Member of Parliament

Eight years later shelter availability and housing affordability are still interrelated concerns

The private sector rental housing developers have long left the 'building'

Barriers to rental housing development must be ameliorated or government subsidized

HOUSING
AFFORDABILITY

STILL
AN EDMONTON
CONCERN
AND
A NATIONAL CHALLENGE

Peter Goldring
Member of Parliament
Edmonton East

Published by:
Peter Goldring
Member of Parliament
Edmonton East

Canadian Cataloguing in Publication Data

Goldring, Peter
Housing affordability
ISBN 978-0-9809906-0-7

Book Production:
Henderson Printing
1640 California Avenue,
Brockville, ON, Canada K6V 5V5

Printed in Canada

Solving the Housing Affordability Crisis

TABLE OF CONTENTS

A society that fails to provide the necessities of life at an affordable cost is in trouble…

William D. Marriott, writing in the Calgary Herald
September 24, 2007

FORWARD

Eight years ago, in 2000, I published my first book on housing: "Housing Affordability: An Edmonton Concern and a National Challenge."

At that time I hoped to encourage debate on affordable housing policy in Canada with a desire to see real change emerge from that debate; change that would lead to more affordable housing being constructed for those who need it and can afford it, and change affecting the shelter system by reducing its clientele through independent living and affordable housing so that we better serve those with the greatest need.

It seems to me today, in 2008, that not much has changed in the way Canadians think about affordable housing. Accompanied by a generalized political antipathy towards the private sector rental housing development and management industry, particularly at the municipal level, affordable rental housing efforts are perceived to be the almost exclusive domain of the non-profit sector, which has not been able to meet an ever-increasing demand. No one can deny that the demands on our shelter system are greater today than they were a decade ago, despite spending millions of dollars and the well-meaning efforts of thousands of people to try and solve the problem.

Maybe it is time to look specifically at the issues surrounding private sector rental housing availability and affordability. It is time to look at what has been done in the past and see what has worked, what has not, and to ask the industry what they think. Only in that way will we be able as a nation to stop ourselves from repeating our mistakes and move forward for the greater good of our society.

Perhaps there may be some ideas for solutions that have not yet been discussed, let alone tried.

Once again with this book I hope to encourage discussion and debate on where Canada should go next with housing affordability.

No one denies that the situation doesn't seem to have improved, that shelter population is higher than ever - in large part because of the lack of entry-level private sector affordable housing. But effective solutions haven't been forthcoming.

Perhaps Canadians have fallen into a rut when we think about affordable housing. Perhaps it is time to admit the non-profit sector can't do it all.

The private sector rental housing industry has abandoned building and developing entry-level rental housing projects for some 20 years in a market such as Alberta that is booming and has such great need.

Given the situation, maybe one of the things that should be considered is to ask the private industry "Why?" and if they have any ideas or solutions to help deal with the issue.

It begins with the exchange of ideas, of which this book is intended to be a stimulus. It will end, hopefully, with a return to Canada of a healthy, vibrant rental housing industry with affordable, competitive prices.

Today, there is a severe shortage in the supply of affordable rental housing units for low and medium income families and the limited existing rental stock is diminishing as it is rapidly being converted to resale condominiums.

Very little has been done by past governments at any level to facilitate the construction of affordable, entry level rental housing units - compounding an already difficult situation for low income families.

For example, a person earning much more than minimum wage - $15 per hour - working at a Canadian retailer should be able to afford private sector rental housing and not be forced to live in social welfare housing.

However, many of those desperate for social housing are these lower income workers who could pay reasonable market rents.

This disturbing trend could have a negative impact on economic growth as more workers struggle to find affordable housing in Canada's rapidly expanding urban centers and are forced to look instead to social welfare housing for relief.

The Failed Approach

Until now, efforts to find solutions to the affordable rental housing crisis have been directed primarily to, and by, the non-profit social sector and local government authorities, both of which are biased against the private sector.

Over the past three decades, it seems that the heavily subsidized and tax-free non-profit sector has impeded entry level, private sector rental industry development by commingling special social housing needs with basic rental housing market needs. The subsidies give the non-profit sector an unfair competitive advantage compared to developers working in the private sector rental housing market.

The non-profit driven social sector seems to discourage the involvement of the large, economy of scale private sector rental industry in rounds of government consultations, task force endeavors, and community focus groups designed to improve the supply of rental housing for lower income workers.

Unfortunately, the non-profit social system does not have the economic capacity to fill this much needed void.

While there is a need for non-profit involvement, this should be relegated to helping the most vulnerable in society who cannot afford or be subsidized into even normalized market housing.

Governments at all levels have also imposed numerous egregious barriers to private sector development. These include: discriminating taxes and fee levies; rent controls; land availability; construction, and zoning restrictions; mandatory municipal dedications; and excessive negativity and delays by municipalities and their planning departments.

These types of barriers have discouraged the private sector rental housing industry, contributed to the decline in affordable, entry level rental apartments, and driven rental prices artificially high.

While the problems for private sector businesses to re-enter the rental housing industry involve policy adjustments by all levels of government, the alternative to working with the efficiencies of the private sector is a massive amount of greater cost, tax-payer funded assistance to the social housing sector.

Peter Goldring
Member of Parliament
Edmonton East

INTRODUCTION

Canada's, private sector rental housing industry, a vital national industry, is in crisis. While Canada's population has greatly increased over the past 30 years, the private sector rental housing occupancy level has been flat-lined. In high growth areas such as Calgary and Edmonton it has actually declined because no new construction has taken place and because apartments are being converted to condominiums.

Governments at all levels should intervene to correct 30 years of government instituted barriers and discrimination to ongoing development. Failure by governments to act to remediate detrimental rental housing issues has caused a serious market imbalance in the affordable housing industry and has impeded the natural supply in relation to consumer demand.

The problem begins with governments at all levels that are not sure of their jurisdictional responsibility and confused about an appropriate response under the constitution.

Over the years, the three levels of government have detrimentally impacted the affordable housing industry through the implementation of multiple layers of disincentives, discriminating taxes, and fees that impede private sector rental development. In fact, there has been discriminatory negativity shown by local governments toward the private sector rental industry, which drives the disincentives, delays, discriminating levies, and taxes.

Governments must focus efforts to eliminate these barriers in order to bring back a healthy rental housing industry in Canada. In order to properly refocus efforts toward solutions the nationally vital private sector rental housing industry should be brought under Industry Canada to help it become more productive, competitive and sustainable.

We must return to the competitive enthusiasm of the 1970s, when thousands of modest and affordable rental apartment buildings with tens of thousands of units were constructed for entry-level renters.

The cause of today's affordable rental housing crisis is that we no longer build significant quantities of the necessary affordable rental housing for entry-level renters. To remedy this, governments at all levels must have frank open dialogue about how to remove the barriers that impede private sector rental development. A workable plan must also be developed to encourage the return of private enterprise in the affordable rental housing industry.

Artificial marketplace rent controls and overemphasis on social housing and subsidies are not solutions to the crisis and may in fact be contributing to it.

Today, the supply of newly built, entry-level rental units is a small fraction of even the annual supply of new renatal units 30 years ago. Yet, the need has increased over the years as rapid urban population growth exerts more pressure on housing requirements. While the issue is of major concern in Alberta cities, it is also a serious concern in other provinces and territories.

At present, the national private sector rental housing industry is estimated to be at approximately $40 billion annually.

This book discusses the crisis of the lack of development of affordable rental housing in Canada. It provides a brief discussion on the meaning of affordable entry level rental housing and why it is an essential component to Canadian growth and prosperity.

The book examines some of the reasons behind the shortage in private sector rental housing, focusing particularly on the withdrawal of the private sector rental housing industry from the affordable housing market.

Finally, it explores some alternate solutions to this growing crisis and highlights the need for increased private sector involvement in this critical Canadian industry.

The way forward will involve fully analyzing past successes and failures in the rental marketplace development.

The key point is that present day discriminatory barriers, which are inhibiting the natural development and progression of the industry, must be ameliorated by the removal of those barriers. Or, the barriers must be financially subsidized, either by incentives or public-private partnerships that have the same effect - that being the financial re-balancing and encouragement for the private sector rental industry to become re-engaged.

RENTAL HOUSING AFFORDABILITY DEFINED

Affordable, private sector, commercial rental housing can be defined as basic, entry-level buildings, constructed with economy of scale, to all codes and regulations and which are aesthetically pleasing. The units are rentable to anyone who qualifies at the rent level and the units are designed for a balance of all ages and incomes.

Although typically associated with the impoverished, the need for accessible and more affordable rental housing is common among workers, particularly lower- to mid-wage earners in the service sector.

Economic growth and rapid urbanization, combined with government barriers and disincentives at all levels, have led to a shortage in the supply of rental housing and have driven up the cost of rent.

This is placing additional stress on the already heavy financial burden of Canadian workers, who are finding it increasingly difficult to secure affordable accommodation within the communities where they work, and upon reflection of this reality, are not willing or able to afford to work for the service sector job being offered.

Housing affordability represented here is the statistical capability of an individual's household income to afford rent. If housing rental costs are excessive relative to income or, if household income is too low relative to rental costs, then an affordability problem is said to exist.[1]

The benchmark typically used to determine household financial means to afford housing is 30 per cent of household income dedicated to shelter.

According to Dr. Tom Carter, Canada Research Chair in Urban Change and Adaptation at the University of Winnipeg, affordable housing needs as expressed as primary concern "…is restricted to housing for low – and moderate – income people – approximately the bottom two quintiles of the (five) income ranges."[2]

The five family household income groups or quintiles are described further in the chapter "Housing Affordability Statistically," later in this book.

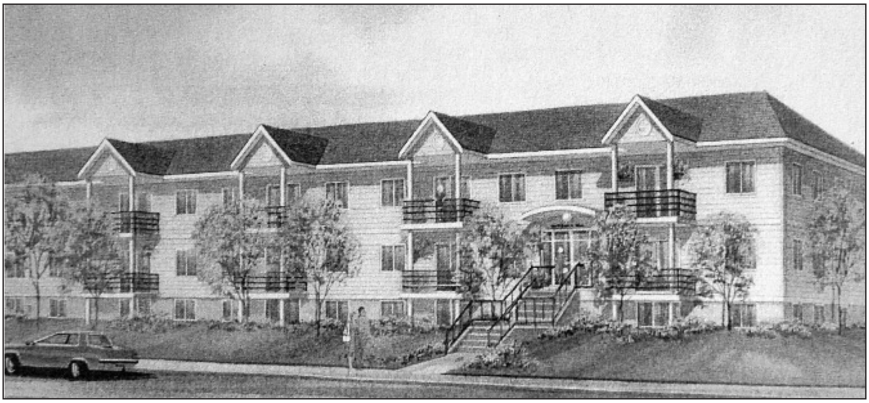
This designation has since changed. Escalating rental costs and ongoing rental supply shortages are starting to have an affect on those earning more than the bottom two income levels.

Today, many workers at the third income or quintile range are having rental affordability problems, and in places like Fort McMurray, Alberta people in the fourth income or quintile range are affected.

The implications of the rental housing crisis become more apparent as more people struggle to pay for basic, rental housing.

There is a great need for tens of thousands of one- and two-bedroom affordable, entry-level, commercially available rental apartments for singles and small families; thousands of entry level, multi-unit rental row housing units for larger families; and thousands of entry-level, commercially available, multi-unit rental independent living singles housing units.

In Edmonton for example, there is an immediate need for 5,000 units of reasonably priced rental units.



This architectural drawing was of a proposal put forward by a private sector rental group to build 100, 24 suite apartment buildings with attractive features and designed to rent at affordable rates. Unfortunately, neither the city of Edmonton nor the province of Alberta saw the importance of encouraging such projects.

Typically, the cost / profit ratio for rent is approximately one per cent of total capitalized cost. Today, an apartment unit in Edmonton that can be built for $140,000 - land included - has to rent for approximately $1,400 per month.

This is for the most basic of building construction with design attractiveness similar to the above captioned building — two-and-a-half- stories with pad parking in suburban areas with minimal dedications and free flowing approvals. Of course, more central and central development involves much more cost associated with such items as underground parking and high-rise construction.

To improve rent affordability, governments at all levels must implement policies that encourage a free and fair affordable housing market.

As replacement stock deteriorates, and more affordable units are not being built due to a number of obstructive barriers, the development of new and affordable rental units is stagnating.

ENTRY LEVEL LOWER INCOME HOUSING NEEDS

Typically people begin their adult life as a low income earner and while most move forward, some, forced by circumstances, return and start again.

Most have similar wants, yet a few have difficulty reconciling the need to live modestly.

The social housing industry can be seen to encourage this attitude by supplying mostly upscale housing at taxpayers' expense.

True affordable housing - to be most affordable for lower income earners - must be low cost housing, so that it competes fairly with housing available at market prices.

Housing, whether publicly subsidized private sector or non-profit, should be basic, addressing housing needs rather than housing wants. It should not be less than adequate. Rather, modern materials and modest architectural features can create attractive, lower-cost housing. All health and safety codes must be met, but this housing must not be viewed as being more luxurious than others available for the same lower income quintiles living in non-subsidized standard market housing.

Wishes for more upscale accommodation, beyond basic needs, should be a matter of self-improvement initiative, rather than a taxpayer expense.

low income housing would not necessarily involve substantial perpetual subsidies if built economically and if the governmental barriers that inhibit development are ameliorated. Everyone should be able to take advantage of economical, entry-level rental housing, though it is anticipated that most will prefer to eventually move on from these basic accommodations as their personal resources grow.

Upscale housing should not have rental subsidies as it will artificially inhibit marketplace competitiveness and elevate housing expectations.

Housing affordability across Canada is a matter of concern for everyone, since there are social costs to all when there are those within our society who cannot afford appropriate shelter.

Although not everyone will be able to afford the housing they want, those who want housing should be able to afford the housing they need.

Historical facts have demonstrated that the most cost effective affordable housing throughout Canada has typically been best provided by the private sector rental industry.

Although federal, provincial and municipal governments claim to have assisted with shelter affordability in markets that have grown too fast, they have each failed to varying degrees to remove obstructive barriers.

The need for low cost housing in Canada is constant and has always been present. Housing affordability efforts are best co-ordinated at the provincial level and developed through co-operative efforts with private industry for partnership and to achieve lower construction costs. Private industry can build to all codes and standards at a reduced cost and with greater affordability than government because "wants" are clearly separated from "needs" by the construction industry.

It is possible to improve housing affordability, providing that "wants" are not confused with "needs".

At present, government is subsidizing too many elaborate units, which involve excessive and unnecessary levels of government support. For instance, the Capital Regional Housing Authority in Edmonton currently has many singles living in one-bedroom, subsidized apartments. In such circumstances, how can the private sector rental industry compete against the big cheque book of social services or other government agencies?

Lacking subsidization, privately built bachelor apartments are less attractive and are therefore at a disadvantage because they cannot compete for quality single tenants with the heavily subsidized non-profit sector in the market of one bedroom apartments.

On the other hand, with no available bachelor rental apartments on the market, organizations such as Capital Regional Housing are left with few options.

In housing, subsidized or otherwise, there should be a level playing field for builders and users. Owners and developers need to have a "level playing field" in areas where the private sector rental industry is effectively shut out due to barriers and construction subsidies that are available only to "non-profit groups".

It is these same non-profit groups that are creating an unfair playing field in the market for housing for people of modest means. The willingness of the private sector rental industry to partner with government to address this pervasive social need has not yet been seriously canvassed.

Public meetings as part of dozens of "homeless plans" intended to include both the social industry and private sector rental and development industry, with a view to understanding their concerns and pooling their expertise, have been failures.

Because the social industry is generally recognized to possess the expertise in the area of social program delivery, it is viewed as being separate and distinct from the private sector rental and development industry, which possesses expertise in economic housing construction and apartment rental property management.

Involvement of social-industry-dominated, public consultation and focus groups, with the extremely limited private sector industry representation, have all failed as productive enterprises.

The recent "Calgary 10 Year Plan to End Homelessness" epitomizes that failure, with the 15 member housing committee dominated by 10 members from the social / government sector and only one representative from each of the construction and rental sectors.

There was no specific sub-committee of private sector industry only, nor was the critical question asked about why the private sector rental industry is the only segment of the Alberta economy not growing.

The social industry, while important to the discussion of affordable housing, should not act as general contractors, building designers or normal rental agencies, any more than building contractors and the private sector rental industry should function as social welfare service providers.

New York City has been successful in separating the public non-profit from the private, and has been able to provide affordable housing and places for homeless clients through the private sector.

The successful "Housing First" model of several hundred cities in the United States focuses on utilizing existing private sector housing, if it is available, as a first choice - and then just paying the rent.

Edmonton, of course, does not have a sufficient stock of available existing private sector rental housing to access.

Rather than approaching this problem of why the private sector has vacated the rental industry, the approach in Canada is to use public funds to build the housing and then ask for more public funds to pay the full rent.

With this inefficient approach, costs in Canada are astronomical.

THE ROLE OF PRIVATE SECTOR RENTAL INDUSTRY

The most common housing need is for entry-level affordable rental apartments. Many single people currently occupy a social supplied, subsidized, multi-room apartment that more easily fits into the "wants" category as opposed to the "needs" category.

This effectively excludes more suitable tenants, such as couples or families with children, from occupying these multi-room apartments. Moreover, the difference in monthly rent between a modest bachelor apartment and a one bedroom or two bedroom apartment can be more than $200, which can be a completely unnecessary burden for taxpayers.

Single, low income tenants in search of affordable rental housing should be considered according to minimal social "needs", and be accommodated in more suitable bachelor apartment units. This will make multi-room apartments available for those who actually need them, save taxpayers dollars, and allow the private rental sector to compete.

The challenge should be for the private sector rental industry to construct minimum facility bachelor apartments, which are in compliance with all relevant building and habitation codes, and which are intended to address the "needs,” not “wants" of those singles who need clean and safe housing.

Some community social groups lobby against the private sector being involved.

Municipalities which allow many easements to the non-profits do the opposite to the private sector and furthermore subject them to suffocating layers of dedications and delays.

Lower construction costs equate to increased housing affordability. There is public concern that in publicly financed projects, this basic principle is ignored. Many of the more costly projects are the result of architectural preferences, related building design, and the lack of economy of scale economics being applied. These unnecessary increased costs have little to do with fiscal prudence.

Instead, middle and upper-class aesthetic standards of appeal are applied to projects intended to address the basic, entry-level needs of low income earners.

This gives a lucky few recipients a skewed vision of life's realities, inhibiting ambition to move on, while leaving many still in need of basic entry-level housing.

Most people take pride in paying their own way as much as they possibly can. Most would not ask for public assistance unless they were forced to by circumstance. Pride in accomplishment through individual initiative is a universal aspiration. Such initiatives should not be interfered with by overly generous government assistance to simply subsidize upscale housing features.

Many excellent examples of construction are well within code and safety regulations and still address basic housing needs. These construction practices are rarely adopted due to competition from the deep pockets of the social housing industry. This unfair competition distorts rental rates at the lower end of the housing market by spending public funds on housing excesses.

One very simple example is the use of brick facing on social housing projects in Edmonton. For most Edmonton neighbourhoods, the most common construction materials are stucco and siding. There is no logic or reason for brick to be used if the aim is economy. Decorative facing is wasteful, expensive and does not assist one single tenant in their quest for affordable accommodation. While affordable housing can and should have normal architectural trimming, the buildings do not need excessively expensive trim.

Those same “frill” factors are evident in the excesses of expensive fixtures and hardware in publicly-funded social units as well as in general architectural requirements that go beyond the basic needs addressed by standard accommodation.

The cost to construct these units at times is so excessive it will never be recoverable through "affordable rents" without massive supplementary subsidies.

Incredibly, some units have all construction costs subsidized by taxpayers. Thus, the taxpayer ends up paying twice - once for the excessive construction costs at the outset, and then once again for ongoing rental subsidies - at inflated rates!

The fundamental principle is that housing affordability begins with economical entry-level housing construction. It is crucial to housing affordability that the "design build" private sector rental industry and developers be close participants in future, standardized entry-level rental housing construction projects.

It is the private sector that has shown, time and again, that it can, and will, build affordable entry-level rental units that address basic needs, and which are in accordance with all codes and standards of health and safety.

All the private sector requires by way of inducement over the long term is an absence of competition from the non-profit social housing industry and a level playing field in terms of government subsidies and taxation.

This is necessary to return equilibrium to the business of the private sector rental industry.

EXAMPLE OF QUESTIONABLE SOCIAL WELFARE EXCESS

In 2007, the Canadian Mental Health Association (CMHA) in Edmonton announced plans to build an apartment building project of 25 units and asked the City of Edmonton's Cornerstones Housing Project for a $4.5 million grant. This is on top of the $1.5 million they received from the Edmonton Housing Trust Fund as well as $765,000 from the Canadian Mortgage and Housing Corporation, totalling an estimated $6.4 million.

As previously stated, a two bedroom apartment can be built with land for $140,000 per unit by the private sector. The CMHA plan to construct one bedroom apartments for $265,000 per unit is almost two times the cost.

Overbuilding is a hallmark of the non-profit social sector because money is usually not an object. This is the case because some non-profits find that it is easier and quicker to raise full costs for a new multi-million dollar "shelter project" than to annually fund raise for their own association's community activities.

They also know that this new shelter project they own will be a gift that will keep on giving better than any organizational fund raising.

Providing full funding for any and all business costs with grants is a luxury only the non-profit social sector enjoys. No mortgage, no taxes and full market rents, equal enormous profits for the non-profit sector.

Non-profits receive full market rents because they rent units to tenants at 30 per cent of the tenant's income, then apply to the provincial government to receive a top up to full market rents on a free building!

The 25 people who are to be housed under this CMHA project probably already have accommodation and are undoubtedly being subsidized. Most agree with the policy of community integration of Edmonton's disadvantaged. This social non-profit project seems to run counter to that philosophy.

The $6.4 million provided for this project could have been used to create 100 units of $60,000 per unit subsidy of private sector, two bedroom affordable housing, dispersed throughout the community with many affordable units available for the designated clientele, instead of the costly 25 units of housing with $265,000 per unit subsidy.

To use this model to build the planned 3,800 affordable housing units by the City of Edmonton over the next five years the cost would be unimaginable! That number of units multiplied by a $265,000 per unit subsidy amounts to more than $1 billion! If the private sector were engaged in such initiatives - as they should be - the cost could be much lower at $60,000 per unit or approximately $230 million - if dispersed throughout the suburban community.

The simple mathematics of social sector need, versus private sector efficiency, merits further examination. If the private sector is able to construct identical units at a much lower cost, why is this not occurring?

If the Canadian Mental Health Association's quest is to help the clients, why do they require 100 per cent of the projects paid for by taxpayers, while they receive full market rents, when the real need is mostly for affordable private sector, community-based rental housing?

A subsidy, for a professionally managed public-private partnership might be a necessary element to reverse the discriminatory public barriers that have stalled the private sector rental industry from being competitive.

If these many social non-profit groups wished to make housing available and affordable they would do as many American cities have done - contract with the private sector rental industry for their needs and avoid the landlord business.

Incentives needed for the private sector to provide this type of rental housing would be a fraction of the cost of the non-profit sector as evidenced by this project.

THERE IS A CRISIS

There really is a crisis.

Forty-year-old rental apartments, valued today at $75,000 – 80,000, are being splashed with paint and sold as $200,000 condominiums because the rental market is so tilted.

In today's heated market, brand new, entry-level two bedroom apartment units can be built for $140,000 per unit with full fees, taxes and land restrictions, but who can pay the $1,400 per month rent required by investors?

There are practically no new replacement apartment units being built, with the exception of a few high-end projects and the construction of expensively built and heavily subsidized social welfare units.

The shortage is driving up rents of an ever-decreasing rental supply.

Landlords, aware that unaffordable rents will lead governments to implement egregious controls, decide that the best option for them is to convert to condos as an overheated market makes these over-priced, entry-level 40-year-old units, seem like bargains to purchase.

Of course, this further exacerbates an already critically short rental market.

There is currently a severe shortage in the supply of private sector rental housing and not enough is being done to redress this crisis by governments which are impeding the supply.

A decline in new supply is a critical element driving the affordability of the rental housing crunch as the construction of new rental projects fails to keep pace with consumer growth and demand.

Meanwhile, the limited existing rental housing stock is rapidly being converted into condominiums as owners, frustrated by government inaction, seek to capitalize on the surging housing market.

Today, many Canadian workers are having trouble affording basic, entry-level accommodation.

According to a CMHC report, housing: "…plays a role in sustaining economic growth by providing places for a growing population and work force to live and attracting the kind of talent that will foster economic growth."[3]

If not resolved, the affordability of private sector rental housing will have an unnecessarily detrimental impact on Canadian workers, communities, and economic growth.

BARRIERS TO PRIVATE SECTOR RENTAL HOUSING

Construction of private sector multi-unit rental apartment buildings has declined for a number of reasons. These include: taxation anomalies by all three levels of government; excessive municipal charges and dedications; the high cost of land; zoning restrictions; investment disincentives; competition from the non-profit sector; rent controls and subsidies; landlord / tenant issues; and differing political agendas by all three levels of government. (See Appendix.)

Over the past three decades the private sector rental housing industry has been in sharp decline due to the withdrawal of the private sector from the construction of new rental units, a reduced commitment to private sector rental housing development, particularly by municipal governments' overt discrimination in council and in planning approval departments with negativity and foot-dragging, combined with many specific municipal barriers, even though there is an increased demand for housing due to rapid economic growth.

As the crisis in affordability of private sector rental housing worsens, greater emphasis should be placed on understanding the factors that caused the withdrawal of the private sector rental industry and the subsequent shortage in new, entry-level rental housing supply.

Over the years, the three levels of government have detrimentally affected the private sector rental housing industry through the implementation of various disincentives and discriminating taxes.

Beginning in the 1970s, the federal government implemented a number of tax reforms that discouraged private industry and helped facilitate the current housing crisis:

- In 1972, 50 per cent of all capital gains were to be included as taxable income. In 1990, this percentage was increased to 75 per cent, but has since been scaled back. Capital gains taxation still remains a point of contention for private sector rental housing developers and investors.
- The tightening of federal income tax rules restricted private investors from using capital cost allowances (CCA) as tax shelters against other sources of income and restricted the use of "pooling" to avoid recapture of the CCA.[4]
- The imposition of the GST adversely affected commercial rental development as rental landlords were not able to claim tax credits on supplies and services purchased as other commercial companies have the right to do.[5]
- Up until now, small rental investors have not been considered as 'small businesses' and are therefore not eligible for the small business tax on the first $200,000 of income.[6]
- Property tax, which accounts for approximately 10 – 20 per cent of rent, can have a large impact upon the returns yielded by rental investors and is typically much higher for owners of rental apartment units than it is for owners of identical condominium apartment units.[7]
- High mortgage rates and low inflation helped deter

many private industries from rental housing development following the boom of the 1970s and 80s.[8] In the past, mortgages for 100 per cent of a project's capital costs were guaranteed by the federal government. Today, investor groups may only obtain a mortgage for a percentage of the market value of the development and must raise the rest of the capital required on their own.[9]

These types of barriers and disincentives must be ameliorated if we are to encourage the return of the private sector to rental housing development.

In a study on rental housing, it was reported that rental housing development dropped from approximately 30,000 units annually in the 1980s, to only 13,000 units between 1990 and 1995, and to only 6,000 units annually from 1995 to 1999.[10]

This dramatic decline in the construction of rental housing illustrates the adverse impact government policy changes have had upon rental housing supply.

This is only a beginning. We'll learn from consulting the industry the rest of the story.

The federal government should treat the rental industry as it does other industries.

The answer is not to find one stop-gap solution for the concerns, but to develop a broad-based systemic approach that will improve the overall effectiveness of Canada's private sector rental housing industry.

WHY PAST EFFORTS AT SOLUTIONS FAILED

Recent efforts to find solutions to affordable rental housing shortages have been sporadic and constitutionally confused. These efforts have been non-profit industry driven with non-profit industry conclusions. The large-scale private sector rental industry has been practically excluded from many rounds of consultations, task force endeavours, and community focus groups.

For instance, numerous task forces commissioned with substantial social industry participation agendas have included Alberta's recent provincially sponsored initiative, yet have largely excluded the private sector rental industry and rental investment groups from the debate and from finding solutions to the rental housing crisis.

One third of the members of the Edmonton Housing Trust Fund's board are also members of a group that are specifically against funding private sector housing.

Also, there is apathy by governments of all levels, but particularly at the municipal level, to take seriously the private sector rental market industry and the important part it plays in society.

At the Alberta Affordable Housing Task Force "stakeholders" presentation in Edmonton on February 21, 2007, all of the representatives were from non-profit groups or municipal committees, with not one developer, management company, or representative from the private sector rental industry present.

The gradual withdrawal of the private sector from the rental housing industry enables non-profit groups and municipal organizations to have a greater impact upon this important industry.

As Van Dyk suggests: "The government, instead of delivering, owning, and managing the social housing stock, decided to place the delivery and management of this housing in the hands of the third sector (non-profit sector)."[11]

As the crisis in affordability of rental housing worsened, efforts to find solutions to the rental housing crisis became non-profit driven with municipal endorsement and involved non-profit preferred solutions.

Up until now, there has been a general reluctance on the part of the non-profit sector and municipalities to include the private sector rental housing industry in rounds of consultations, task force endeavors, and community focus groups. The need for a private industry perspective on affordability of rental housing is long overdue.

There is an assumption that non-profit groups will pick up the slack in instances where private industry is not engaged. Unfortunately, the non-profit sector has neither the ability to produce the numbers needed, nor has the government-funded economic capacity to meet the current demand.

Non-profit involvement in affordable rental housing has further discouraged private enterprise as non-profit groups are provided with almost unlimited access to grants and subsidies and therefore have an unfair competitive advantage.

Some projects receive 100 per cent public funding for building costs, public funding again for topping up to full market rents and, further public funding for property tax exemptions.

This multi-layered public taxpayer funding is in itself the anomaly that attracts many non-profit operators to choose the real money maker - paid for by the taxpayers real estate with a guaranteed client income.

This challenges all the norms of the free market climate and puts the private sector rental industry in a position where it cannot compete.

Furthermore, we should be challenging the credibility of governments that contribute to the multi-layered, taxpayer-funded, excesses of public funding.

While there is a need for non-profit involvement – appropriately, but not excessively funded - to meet the challenges for the social sector affordability of rental housing, this role should be confined to the most disadvantaged with very particular disabilities in our society. Non-profit involvement in entry-level rental housing should not undermine private sector involvement in this important industry.

The need for a specific federal Industry Canada focus on a commercially viable, multi-unit rental housing industry is long overdue. Governments at all levels must begin consultations to help those who are lower to middle income workers and who are in great need.

These consultations should place greater emphasis on incorporating advice from the private sector rental industry and should attempt to minimize the influence of the social sector that is adversely affecting this critical industry's development.

MULTIPLE UNIT RESIDENTIAL BUILDINGS (MURBS)

Multi Unit Residential Buildings (MURBS) were tax shelters developed in the 1970s in response to a growing demand for rental accommodation. They were designed by CMHC to promote investor interest in the private sector rental housing industry by providing incentives to developers through low-risk investments and tax write-offs.

Although highly successful - they actually produced a surplus of rental housing projects - the MURB program was criticized for being overly-generous and was terminated as rental apartment supply began to exceed demand.

In 1986, the "Toronto Star" reported that tax exemptions, referrals, credits, and lower rates, cost the federal government approximately $28 billion annually in potential tax revenue.

MURBs proved to be an effective tool to stimulate investor interest in apartment construction and should not be discounted as a means to address the current housing crisis.

The problem with MURBs is that they worked too well.

However, this should be viewed as a positive development and an opportunity to learn from the past to build better policies for the future.

Aspects of the MURBs that were too costly or ineffective should be reformulated to establish a more efficient program.

Surely the MURB model was very effective and should be explored for its intrinsic value to see if carefully re-implementing it has social value.

RESIDENTIAL REHABILITATION ASSISTANCE PROGRAM (RRAP)

The Residential Rehabilitation Assistance Program (RRAP) was established in 1974 to assist with the provision of housing to meet minimum standards of health and safety as well as provide affordable housing options for individuals and households with low income and disabilities.

Assistance is in the form of loans, forgivable loans, or non-payable contributions and can be used to fund repairs, renovations, accessibility modifications, the creation of low income rental units and home adaptations.

RRAP provides funding under the following categories: Rental RRAP; Rooming House RRAP; Homeowner RRAP; Home Adaptations for Seniors Independence (HASI); Emergency Repair Program; Shelter Enhancement Program (SEP); and RRAP for Persons with Disabilities.

RRAP programs play an important role in providing low cost property alternatives for low income tenants and should be accorded greater consideration.

Unfortunately, many of these programs are not well known to the private sector rental industry. This book highlights the available RRAP programs, so the private sector rental industry can understand that for particular applications assistance is available for their utilization, to help them continue to provide low-cost housing alternatives.

Given the rising costs of rent across the country, two RRAP programs that merit particular attention are Rental

RRAP and Rooming House RRAP. The following provides a description of these RRAP programs as outlined by the Canada Mortgage and Housing Corporation (CMHC).

Rental RRAP

Rental RRAP offers assistance to landlords of affordable housing to pay for mandatory repairs to self-contained units occupied by low income tenants. Repairs are designed to bring the property to a minimum level of health and safety and thereby sustain accommodation for low income households.

Owners (landlords) may apply for Rental RRAP providing: the household incomes of their tenants are at or below the established ceilings or Core Need Income Threshold (CNIT) for the area; the projects have pre and post RRAP rents at or below the median market rent for the local area; and, the property lacks basic facilities or requires major repair in one or more of the following five categories: structural, electrical, plumbing, heating and fire safety. A household is considered in "Core Need" if they are unable to pay for or obtain suitable accommodation. For Edmonton, the Core Need Income Thresholds (CNITS) for 2007 were as follows: Bachelor - $23,500; One Bedroom – 26,500; Two Bedroom – 33,500. The 2006 median market rents for Edmonton were as follows: Bachelor - $580; One Bedroom - $661; Two Bedroom - $836; Three Bedroom - $1128. Only properties that have existed for a minimum of five years are eligible.

Rental RRAP assistance is in the form of a fully forgivable loan of up to 100 per cent of the cost of mandatory repairs providing certain conditions are met. Landlords must further: agree to place a ceiling on the rents that may be charged after the repairs are completed; limit rent increases during the term of the agreement; agree to limit new occupancy to tenants with incomes at or below the stated income ceiling; cover the costs of mandatory repairs above the maximum forgivable loan available.

Financial assistance varies according to regional location in Canada. For instance, applicants in southern areas of Canada are eligible to receive a maximum of $24,000 per self contained unit; northern areas - $28,000 per unit; and far northern areas - $36,000 per unit. Additional assistance is also available in areas defined as remote.

Despite its northern location, Edmonton is still categorized as a southern area of Canada and falls under the range of $24,000 per unit accordingly.

Rooming House RRAP

Rooming House RRAP provides assistance to owners of rooming houses intended for permanent accommodation with rents affordable to low income individuals. Rooming houses are defined as multiple, individual bedroom units with shared bathroom and kitchen facilities.

Rooming House RRAP is intended to repair or rehabilitate these properties to a minimum level of health and safety.

Owners or landlords of rooming houses intended as permanent accommodation may apply if: rental rates for the bed units are at or below established levels for the market area; the property lacks basic facilities or requires major repairs in one or more of the five major categories (structural, electrical, plumbing, heating, fire safety); tenants have no relation to the owner. Properties that have not been constructed for a minimum of five years are ineligible.

Rooming House RRAP assistance is a fully forgivable loan of up to 100 per cent of the cost of mandatory repairs up to the maximum loan available. The maximum amount distributed per bedroom varies in accordance to geographic location: southern areas - $16,000 per bedroom; northern areas - $19,000 per bedroom; far northern areas - $24,000 per bedroom. Additional assistance is also available for areas defined as remote.

Rental and Rooming House RRAP

While RRAP programs have been helpful in revitalizing properties and providing sustainable options for low income households, there is more that can be done.

Unfortunately, similar to other government programs, RRAP has been accessed primarily by non-profit grant seekers capitalizing on multiple grant opportunities.

This has effectively left out much of the private sector, which is often in need of RRAP programs the most.

To maximize accommodation options, Rental and Rooming House RRAP must allocate its resources to appropriately access the sectors. The misallocation of these programs is exacerbating an already limited rental housing supply and is affecting those who need these types of services the most.

Meanwhile, individuals, obstructed from obtaining safe and affordable housing, have to resort to shelters to meet their needs.

The following table is compiled data that indicates the number of units that were serviced through RRAP commitments from 2005 to 2006 in Canada in contrast to commitments in 1997 to 1998. As can be seen, the total number of units increased from 7,357 in 1997/98 to 15,490 in 2006. Of particular note is the large increase that occurred in the RRAP Rental and RRAP Rooming House categories. However, this still falls short of national needs.

	1997/1998	2005	2006
RRAP-Homeowner	4,519	5,800	5,550
RRAP-Disabled	621	1,525	1,915
RRAP-Rental RRAP-Rooming House	822	6,000	3,235
RRAP-On-Reserve	746	1,275	2,100
Emergency Repair Program (ERP)	649	3,000	2,740
Total	7,357	17,600	15,540

OTHER RRAP PROGRAMS

Homeowner RRAP

Homeowner RRAP offers financial assistance to low income homeowners to bring their properties to minimum levels of health and safety.

Homeowners may apply for this program if: the value of their house is below a specified figure; the household income is at or below established ceilings based on household size and area; and, property requires repairs in one of the five major categories (structural, electrical, plumbing, heating, fire safety).

Assistance under Homeowner RRAP is in the form of a forgivable loan, with the maximum loan amounts varying according to geographic location: southern areas - $16,000; northern areas - $19,000; far northern areas - $24,000.

The loan is 100 per cent forgiven providing the homeowner remains in the dwelling for the duration of the forgiveness period of five years.

RRAP For Persons With Disabilities

The Residential Rehabilitation Assistance Program for Persons with Disabilities assists in the repair, improvement or modification of existing homeowner and rental housing to improve the accessibility of the dwelling for persons with disabilities.

Homeowners may apply to this program if their house value is below a specified figure and the household income is below established ceilings based on household size and area (see Homeowner RRAP).

Landlords may apply to this program if rents are below established levels and the units are occupied by tenants with incomes at or below the income ceilings.

Assistance is in the form of a fully forgivable loan, with 100 per cent forgiveness available to both landlords and homeowners. Homeowners must agree to own and occupy the home for the length of the loan, while landlords must agree to maintain a level of affordability for tenants and limit occupancy to low income tenants.

The amount of assistance varies according to regional location and type of application. The maximum loan for landlords of rental units is: $24,000 for southern areas; $28,000 for northern areas; and $36,000 for far northern areas. The maximum available loan for a homeowner/rooming house is: $16,000 for southern areas; $19,000 for northern areas; and $24,000 for far northern areas.

On Reserve RRAP

On Reserve RRAP provides financial assistance to Band Councils and Band members to repair substandard homes to minimum health and safety standards and to improve housing accessibility for disabled persons.

Households with limited incomes are eligible to receive this funding as well as properties that are in need of repairs in one of the five major categories (structural, electrical, plumbing, heating, fire safety). Assistance is also available to address the issue of overcrowding.

Total available assistance varies according to geographic area, with southern areas eligible to receive $16,000; northern areas - $19,000 and far northern areas - $24,000.

Due to the absence of a rental market on all reserves, House Value Thresholds and CNIT do not apply on-reserve. In order to determine the applicable level of forgiveness for clients living on reserves, Forgiveness Income Limits (FILs) are established on an annual basis. FILs are calculated based on the minimum revenue required to carry the basic shelter costs of a new modest quality house. The maximum forgiveness is available when the household income is 60 per cent or less of the FIL; forgivable amounts decline to zero for households with incomes at the FIL.

Emergency Repair Program (ERP)

The Emergency Repair Program (ERP) assists low income homeowners or occupants in rural areas to make emergency repairs required for the continued safe occupancy of their houses.

Homeowners and occupants are eligible to receive this assistance providing the units they occupy are their principal places of residence and, they are in need of urgent repairs to meet health and safety standards. Repairs that are eligible for assistance include: heating systems; chimneys; doors and windows; foundations; roofs, walls, floors and ceilings; vents; plumbing; and electrical systems.

Financial assistance is in the form of a contribution, which does not have to be repaid. Similar to other RRAP programs, total amount distributed depends upon regional location: southern areas - $6,000 per unit; northern areas - $9,000 per unit; and far northern areas - $11,000 per unit.

Home Adaptations For Seniors Independence (HASI)

This program assists homeowners and landlords with home repairs and modifications to extend the amount of time seniors can live in their homes independently.

Homeowners and landlords are eligible for this program providing the occupant of the dwelling meets the following criteria: is at least 65 years of age; has difficulty with daily activities brought about by ageing; total household income is below a specified limit for the area; and the dwelling is a permanent residence.

Clients are entitled to apply for HASI assistance with a maximum 100 per cent forgivable loan of $3,500. This loan does not have to be repaid providing the homeowner agrees to occupy the dwelling for the length of the forgiveness period which is six months.

Modifications that are included in HASI include: hand rails; work and storage areas in the kitchen; lever handles; walk in showers with grab bars; bathtub grab bars and seats. All adaptations should be permanent and fixed to the dwelling.

More extensive modifications such as wider doorways for wheelchair maneuvering are covered under RRAP for persons with disabilities.

MARKET TRENDS VERSUS HOUSING AFFORDABILITY: A LOOK AT OTHER CMHC PROGRAMS

The bottom line requirement for condo ownership to serve as an alternative to rental housing is for renters to "income qualify," not only for the mortgage, but also for condo fees and other monthly charges rental units do not have.

While there used to be additional impediments such as substantial down payments, CMHC mortgages are now available with a minimum down payment and up to 35 year mortgage life.

Yet for many middle range income earners who can qualify, there are other pitfalls.

The price of condominium apartments in Alberta is artificially high because there is no entry level rental housing development to keep the rental industry competitive.

Owners of older rental apartments are reducing the existing stock by splashing the units with paint and selling them as condos at two times their actual value as apartment units. What a deal for apartment owners! What a risk for new condo owners!

Meanwhile, non-profit organizations, well aware of the various financial assistance programs, continue to capitalize on these programs often to the detriment of the private sector rental industry.

These programs fall under the CMHC and provide financial assistance for planned affordable housing projects in cities, towns and communities. Such programs include: Seed Funding, which provides loans of up to $20,000 to cover some up front costs; Proposal Development Fund, which provides interest free loans of up to $100,000; and the Affordable Housing Initiative.

Federal Affordable Housing Initiative

Perhaps the most pertinent financial assistance program related to the federal government is the Affordable Housing Initiative.

This program is administered through the CMHC and is designed to increase the supply of affordable housing, in partnership with the provinces and territories.

Under established bilateral frameworks, the provinces and territories cost-match federal investments into affordable housing programs. Funding is also extendable to stakeholders operating within a particular province or territory such as municipalities, private industry or charities.

Contributions can be in the form of grants, an array of ongoing subsidies or in-kind contributions such as land.

The amount of federal funding available is determined according to the bilateral arrangements, under which each province or territory is responsible for the administration and delivery of its housing projects.

Under the Affordable Housing Initiative, Alberta received a total of $98.62 million, from which a total of 3,683 units have been announced or committed. This equates to an average of approximately $25,000 per unit which the province is expected to match to create $50,000 per unit.

Although federally funded programs such as the Affordable Housing Initiative are equally available to private entrepreneurs, they are largely distributed to non-profit organizations, municipalities and other socially minded organizations.

Given that private industry is at a real disadvantage in the market for entry-level rental housing, it is important that it take advantage of all opportunities and funding available.

To date, the private sector rental housing industry has generally been neither aware, nor has it taken advantage of, the federal funding available for the development of low income housing.

Perhaps private sector involvement in the entry-level housing market can be encouraged by outlining the various RRAP options and federal financial assistance programs for low income housing.

Non-profit organizations alone are not able to provide effective solutions to the current crisis of housing affordability.

The time is long overdue for private industry to be encouraged to become actively engaged in the entry-level housing market and begin competing with the non-profit sector for federally funded assistance programs.

By being able to enjoy the same programs as the non-profit social sector, private industry will be more competitive, thus providing Canadians with real and sustainable, long-term solutions to the crisis in housing affordability.

MORTGAGE PITFALLS

Formerly when Canadians moved from rental accommodations to home ownership it was the sign of a certain amount of financial maturity – they had saved enough money for a down payment, at least 10 per cent of the total, and had convinced a bank that their income level was sufficient to make the monthly payments for the duration of the mortgage which was usually 20 or 25 years.

The Central Mortgage and Housing Corporation (now Canada Mortgage and Housing Corporation – CMHC) was created in 1946 to help house returning Second World War veterans and to take charge of national housing programs.

Until 1954 CMHC financed housing programs. It is now an insurer of mortgages rather than a lender.

CMHC insured mortgages initially required a 25 per cent down payment, then 10 per cent, and then in 1990 the rate was set at five per cent in a pilot project which was permanently adopted in 1999.

This lower down payment made it possible for many Canadians to own their home, something that may previously have seemed impossible to them.

However there is a charge, a fee, for these mortgages for home purchasers with less than the banking industry standard of 25 per cent down payment, even with CMHC's relaxation of the requirement.

Recent changes to the financial markets have seen further changes to the mortgage marketplace that have made home ownership easier. Some lenders now offer mortgages with no down payment to qualified borrowers and amortization periods longer than the traditional 25 years - sometimes up to 40 years to pay.

While these changes have made home ownership more than just a dream for many, they have come with a cost that has not yet been fully appreciated. Home ownership looks attractive to many as the lack of development of new rental properties and conversion of apartments to condominiums has driven up rents. This in turn has led to many choosing to purchase a home without considering all the implications.

Lower, or no down payments, and longer amortization periods, substantially increase the risk involved for both the mortgage holders and the financial institutions.

People who would have been judged too much of a default risk by lenders 30 years ago - people who perhaps should be tenants their whole lives - are becoming home owners for the first time.

For many, perhaps even most, the outcome will be favourable – as long as current economic conditions remain.

Should interest rates rise substantially it will be a different story. In the early years of the 21st century interest rates have been at historic lows – another reason for the increase in home ownership as many people have looked at rising apartment rental rates and concluded it is less expensive to buy than to rent.

However, if mortgage rates rise significantly (and during the early 1980s they were in excess of 20 per cent) those who didn't have a 10 per cent down payment, who wouldn't have qualified for a mortgage even 10 years ago because of their financial situation, may find themselves in the situation where they have a home they can't afford and a home that doesn't have any equity.

This is especially true if the real estate boom goes bust and housing prices drop.

Home owners (and condo owners) may find they owe much more than they can possibly sell their residence for.

The situation will be exaggerated for those who have purchased former, inexpensive, rental properties that have been freshened up and marketed as expensive condominiums.

It is conceivable that Canada, due to shortsightedness and liberalized lending policies, could find itself with its own housing crisis very similar to the sub-prime mortgage crisis that emerged in the United States in 2007, where thousands of people literally abandoned the homes they could no longer afford, creating entire neighbourhoods of empty houses.

If there was a vibrant, private sector, affordable rental housing industry, perhaps Canadians might think twice about buying homes they can't afford.

WHAT NEW PROGRAMS MIGHT EVOLVE

The existing Residential Rehabilitation Assistance Program (RRAP), designed to assist non-profit and private sector landlords, could be used as a model for a new private sector rental industry development program.

The existing RRAP program assists landlords in renovating and converting older properties into refurbished, entry-level, economically priced rental properties. Assistance is in the form of a forgivable loan to a maximum of $24,000 per self-contained apartment unit for renovations.

The existing federal / provincial housing program allocates up to $50,000 per unit subsidy, but can also add on the benefit of CMHC mortgage and loan considerations as well as all the other levels of funding and grants that non-profits can access.

Because of this multi-layered, multi-government level granting approach and limited program funding, economy of scale and consumer friendly, private, large scale development projects have been discouraged or not been sought in favor of individual social welfare sector or near social sector projects.

Both provincial and federal governments seem to have difficulties in deciding how to engage the private sector rental industry with the incentives needed.

The key differences between a new private sector rental industry program and the existing social programs would be: broad based awareness approach directed at large scale developers and management groups; ease of application; a more flexible mandate to deal with small and large private sector rental industry applications; and fewer conflicts with the non-profit sector professional applicators that have locked up the majority of the very limited funding in the past.

The delivery of such a private sector rental industry program would be through the provincial authorities with agreed upon contractual terms and conditions.

FEDERAL AFFORDABLE HOUSING PROGRAMS

In the past decade, a number of federal programs have been implemented to address affordable housing in Canada. These programs are designed to work with provinces, territories, municipalities and other stakeholders in the affordable housing industry to increase the supply of affordable housing for low income Canadians.

National Homelessness Initiative (NHI)

Established in 1999, the National Homelessness Initiative (NHI) developed programs to improve existing programs to address homelessness in Canada. The NHI sets out to: help communities break the cycle of homelessness; enhance collaboration between all levels of government; strengthen the capacity of the private and voluntary sectors; and generate a better understanding of homelessness.

The overall purpose of the NHI was intended to increase the capacity of a community to assist with the reduction of homelessness in Canada. However the numbers of homeless across Canada today are higher than ever.

Affordable Housing Initiative (AHI)

Created in 2001, the Affordable Housing Initiative (AHI) is a federal program administered through the CMHC that seeks to increase the supply of off-reserve affordable housing, in partnership with the provinces and territories.

Through bi-lateral agreements, the federal government contributes funding that is then cost-matched by the province, territory or other parties (municipalities, private sector).

Under AHI agreements, the province or territory is responsible for the design and delivery of its housing program, including the selection of the housing projects that receive AHI funding.

The AHI had two phases. The first phase, announced in 2001, provides $680 million in funding for the creation of new rental housing. The second phase, announced in 2003, includes $320 million for additional housing for low income households.

Homelessness Partnership Strategy (HPS)

On December 19, 2006, the Conservative Government of Canada launched its new Homelessness Partnership Strategy (HPS). This program replaces the National Homelessness Initiative, which expired on March 31, 2007, and provides $269.6 million over two years to prevent and reduce homelessness.

The HPS improves upon the National Homelessness Initiative and its Supporting Communities Partnership Initiative (SCPI) through the following measures.

- It invites partnerships with the territories and provinces. New partnerships with private and non-profit sectors are also encouraged.
- The strategy focuses on a "housing first" approach, which stresses that having a shelter is a pre-condition to self-sufficiency.
- It encourages federal departments to work together on homelessness.

• It encourages the strategic allocation of resources to address homelessness.

However, it appears to leave the issue of private sector rental housing industry development up to provincial and municipal discretion.

There are three initiatives under the Homelessness Partnership Strategy (HPS):

1) The Homelessness Partnership Initiative (HPI) is the foundation of the HPS and identifies four areas for funding.

• HPI - Designated Communities: Communities that have been identified as having significant problems with homelessness are able to access multi-year funding that must then be matched from other sources. This program is similar to the former National Homelessness Initiative's Supporting Communities Partnership Fund (SCPI).

• HPI – Outreach Communities: Smaller cities and outlying areas, including the North, are eligible to receive funding for projects that address homelessness.

• HPI – Aboriginal Communities: Partnerships with Aboriginal communities ensure that programs meet the distinct needs of homeless Aboriginal people, regardless of their location.

• HPI – Federal Horizontal Pilot Projects: Encourages the mobilization of federal departments to collaborate on various root causes that can lead to homelessness (mental health, family violence, immigration issues).

2) The Surplus Federal Real Property for Homelessness Initiative (SFRPHI) makes surplus federal property available to community organizations, the non-profit sector and other levels of government to help reduce homelessness.

This is done by compensating federal departments and agencies, at market value, for surplus properties that are then transferred for one dollar to eligible organizations.

Proposals for using surplus federal properties can range from residential and non-residential emergency services to permanent affordable housing.

However, as previously mentioned, the province and municipality have the discretion to utilize available surplus federal land for private sector rental housing development.

3) The Homelessness Accountability Network (HAN) provides an opportunity to strengthen the networks between the HPI - Designated Communities and range of other key stakeholders.

The HAN has three primary goals: play a more prominent role in knowledge development; support the creation of national and regional networks and partnerships; and enhance the community planning process and improve abilities to measure progress.

The HAN plans to achieve these goals through knowledge development and sharing, partnering networks and streamlining results reporting functioning.

The Homelessness Partnership Strategy (HPS) is indicative of an ongoing federal commitment to address affordable housing challenges.

Up until this point, non-profit, social centric organizations have been the primary beneficiaries of federal funding.

Under the HPS, private sector rental organizations must do more to access federal funding and assume a larger mandate over the affordable housing rental industry in Canada.

PROVINCIAL AFFORDABLE HOUSING PROGRAM - ALBERTA

In April 2007, the Province of Alberta announced an increase to the housing budget to address housing pressures brought on by economic growth and rapid urbanization.

An estimated $285 million in new funding will be allocated with the aim of generating more than 11,000 affordable housing units over the next five years. In 2008, $143 million has been allocated for affordable housing projects for municipalities that met certain "high need" criteria.

An additional $68 million has been set aside for municipalities that did not meet the criteria to help with housing affordability issues.

1) The Municipal Sustainability Housing Program / Capital Enhancement provides both block and project-by-project funding to municipalities confronting growth pressures.

Block funding is available to high growth municipalities providing certain criteria are met: population growth is over 2.79 per cent; vacancy rate is under provincial average of 1.7 per cent; and average rate for a two bedroom apartment is over the provincial average at the time.

Project-by-project funding is available to municipalities if they are able to demonstrate substantial need and have a project that is suitable.

Funds can be used for new units, renovations, transitional housing, secondary suites or rent supplements.

2) The Affordable Housing Program targets growth pressures generated by the rapid development of the oil sands in the Wood Buffalo (Fort McMurray) municipality.

Under this program, the Province of Alberta will contribute $45 million, $150,000 per unit, of provincial funding for the construction of 300 affordable housing units. Additional federal funding ($15 million or $50,000 per unit) is also available to Alberta municipalities providing they can identify a need for additional housing units and a suitable housing project.

In November 2007, Alberta announced more than $60 million, $115,000 per unit, to support affordable housing projects in 15 communities. These projects are expected to create approximately 522 affordable housing units.

Funding for this program will involve $47 million from the province's Municipal Sustainability Housing Program / Capital Enhancement and $13 million from the federal government's Affordable Housing Trust that is being delivered by the province.

To address the growing problem of homelessness, the province has implemented the Community Based Homeless Initiative.

This strategy addresses the unique challenges in combating homelessness and allocated $1 million annually each to Edmonton, Fort McMurray, Grande Prairie, Red Deer, Lethbridge and Medicine Hat.

In 2006/07 the provincial government committed $23 million to support agencies providing emergency or transitional shelter needs of the homeless population in seven major municipalities in Alberta.

As can be seen, the Province of Alberta is undertaking a number of initiatives to address problems with housing affordability in its communities.

However, the private sector rental industry which seemingly has an opportunity to become more involved in the solutions to this challenge are not being fully engaged.

More must be done to canvass the private sector rental development industry to work closely with the province in the implementation of these projects.

MUNICIPAL AFFORDABLE HOUSING PROGRAMS

Under the former federal National Homelessness Initiative, community based programs were delivered through two models: the shared delivery model and the community entity model. Two primary components under these models were the Supporting Communities Partnership Initiative (SCPI) and the Regional Homelessness Fund (RHF).

The Supporting Communities Partnership Initiative (SCPI) was the centerpiece of the National Homelessness Initiative (NHI) and set out to create a more inclusive approach to homelessness in Canada. SCPI provided financial support to communities and encouraged collaboration with federal and provincial governments to improve responses to homelessness. Funding was allocated by the federal government, which must then be matched by community resources.

The Regional Homelessness Fund (RHF) provided support to small and rural communities experiencing homelessness in their local areas. A federal allocation of $13 million assisted communities in Alberta that did not receive SCPI funding.

The Edmonton Housing Trust Fund, created in 1999, is an independent, non-profit organization that has a primary role in affordable housing in the City of Edmonton. The Trust Fund provides assistance and funding to low income and homeless individuals in need of basic affordable housing. Funding to the Edmonton Housing Trust

Fund is generated by all three levels of government.

Since its inception and, through the National Homelessness Initiative, the government of Canada has contributed more than $57 million to the Edmonton Housing Trust Fund, the Province of Alberta has contributed $1 million annually, and the City of Edmonton has distributed $1.2 million annually.

The federal Conservative government's implementation of the Homelessness Partnership Strategy replaces the National Homelessness Initiative and provides a new focus on homelessness within municipalities. The Homelessness Partnership Initiative – Designated Communities is similar to SCPI in that it allows communities in need to access multi-year funding.

The City of Edmonton Cornerstones Plan is designed to increase affordable housing between 2006 and 2011. Two recent initiatives launched under this plan include the Fixed Rate Rent Supplement Pilot Project and the Fee Rebate for Affordable Housing Program (FRAHP).

The Fixed Rate Rent Supplement Pilot Project aims to improve housing affordability for low income households in up to 400 existing private rental housing units in Edmonton over the next five years. Under this project, funds will be used to reduce rents by an average of $200 per month.

This project will receive $5 million over the next five years, with the federal, provincial and municipal governments agreeing to cost share on a 50/25/25 basis.

The Fee Rebate for Affordable Housing Program (FRAHP) is part of the Cornerstones (2006-2011) Plan and provides grants to rebate municipal fees and charges for affordable housing units comprised of new or existing residential development project proposals.

This project was developed in association with the Housing Industry Forum, representatives from government, affordable housing stakeholders and the Edmonton Housing Trust Fund.

Up until this point, Edmonton Housing Trust Fund has been the primary beneficiary of federal, provincial and municipal funding for affordable housing in Edmonton.

Unfortunately, problems with housing affordability in Edmonton are not going away and are, in fact, getting worse.

Edmonton Housing Trust Fund, with its considerable budget, is funding expensive, one-off, smaller housing projects that do not reflect the reality of the problem – the need for larger scale, private sector rental industry development, geared to the needs of low income persons.

If some of the funding allocated to Edmonton Housing Trust was redirected to private industry, more efficient and sustainable solutions to the housing affordability crisis would be found.

Until now, the majority of the stakeholders in affordable housing have been non-profit, social centric organizations.

Time has shown that, while these stakeholders receive a large proportion of funding, they have not adequately addressed the crisis in housing affordability for a number of reasons.

As Alberta and Edmonton embark upon extensive affordable housing initiatives, the time is now for the private sector rental industry to get involved and capitalize on the funding opportunities available.

Private sector involvement in affordable, entry level rental housing will pressure social / non-profit groups to operate more cost effectively, will provide real alternatives for low income Canadians, and will help stem the affordable rental housing crisis in Canada.

LAND IS A MAJOR PROBLEM

Several years ago in Edmonton, the Millwoods area was developed with thousands of acres specifically for housing. This model could be repeated in Edmonton and in other regions. Although there is no shortage of land in Edmonton, there are serious constrictions and shortages of zoned serviced land. Federal lands have long been a source of land for municipal developers for affordable housing when they become available.

Griesbach, the surplus military residential area in Edmonton – approximately 10x15 city blocks in size and suitable for more than 10,000 multi-unit rental homes – was offered to the city of Edmonton for affordable housing and inexplicably turned down.

Now, instead of 10,000 affordable homes being built there, the houses under construction start in the $600,000 range! Why did this happen? Why did the City of Edmonton turn down surplus federal land that could be used for affordable housing?

Large tracts of military land – enough to build 50,000 or more housing units – have been made available in Edmonton, Calgary, Winnipeg, Ottawa, Montreal and Toronto. Practically none of this land has been committed to affordable, entry-level multi-unit housing. Why not?

Unlike converting unused school land for housing, large tracts of military, stand-alone land does not come with the great complications of rezoning and the immediate - and understandable - neighborhood objections to the population density increase in their quiet suburban neighborhoods.

LAND BANKS

Land banks are accumulations of land for the purpose of building affordable housing and are intended to remove one of the largest components in overall housing costs - the price of serviced land - from the rental equation or home ownership equation.

Although many land bank models have been developed, most rely on the non-profit sector for administration. These models are small in overall scale and achieve varying degrees of success.

In the 1972 federal election, the Progressive Conservative party proposed providing assistance to set up residential land banks to reduce the cost of housing.

Land banks, or similar land use ideas, may be looked at under the overarching premise of exploring concepts that would help a private sector rental industry in a commercial context.

Zoned land availability, costs to developers, fees, taxes, and speculation pressures all tremendously influence the development of private sector rental housing in Canada - despite land being plentiful and at relatively low cost.

Availability of reasonably priced serviced zoned land for private sector rental housing is essential.

Some great practical work can be done in this area by combining efforts and balancing government needs and wants.

A form of land banking may be a welcome component of private, public partnerships in private sector rental housing development.

In the primary interest of lowering the private sector rental development cost per unit to the range that they can have an acceptable profit return on investment while at the same time offering acceptable affordable rental rates to the public, the difference in cost is the accumulation price of government barriers that have to be ameliorated by the public share of the partnership of which developed land cost is paramount.

TAX FAIRNESS

Taxes from all levels of government need to be analyzed to ensure fairness with other business and industry.

Property tax in Edmonton is 25 per cent higher for apartment rental units than it is for identical condo apartment units.

In some other major urban centers the difference is much higher.

Why do cities like Edmonton wish to tax the lowest income earners 25 per cent higher than high-income earners?

Taxes for property development and transfers should be similar to other industries. Tax investment credits, capital gains taxation assessments, and deferrals should be adjusted to allow more competition in the rental housing market.

There are currently some non-profit owners in the entry-level rental market who do not pay taxes.

HOUSING AFFORDABILITY AND TAXES

The consequences of our system of taxation must be included in any discussion of housing affordability. Quite simply, housing affordability is a function of the size of one's after-tax pay cheque. To the extent that taxes increase, housing becomes less affordable, even if all other factors remain constant.

Tax freedom day – to the renter – simply signifies the first pay of year when they have finished paying their yearly allotment of taxes, which in Alberta is in June, and when they can start paying for such necessities as rent.

It becomes a regrettable cycle; direct or indirect tax increases result in less take-home pay for most Canadians. Housing becomes less affordable as a consequence. Tax increases to pay for the funding of "affordable housing" programs, among others, result in a further housing affordability "crisis".

Throughout Canada, households are increasingly challenged to find affordable housing. Although the new federal government has taken some positive steps in addressing some of the taxation issues ultimately associated with affordability, there is more that can be done at all levels of government.

Taxes – Income Bracket Creep

"Bracket Creep" refers to an indirect approach by which the government collects more tax dollars without formally raising taxes. This is achieved when tax brackets are not indexed to inflation and the amounts used to calculate tax credits.

It used to be that all such tax brackets and related credits were indexed to inflation. The federal government in the mid-1980s eliminated this policy - and this was quietly continued throughout the 1990s. Due to inflation, unadjusted personal tax credits were worth less and less each year, automatically increasing the amount of taxes payable.

Higher taxable income also means higher tax brackets.

The net result? The taxpayer isn't earning any higher salary, but finds that there is less disposable income after tax, due to "bracket creep".

For example, according to figures from accounting firm KPMG, a person earning $30,000 in each of 10 years - that is, a person who had no salary increase other than modest inflation increases for 10 years - nonetheless found that they paid in 1999 nearly $4,000 more in taxes than in 1989.

Does this contribute to the "crisis" in housing affordability? Certainly! After pressure from the Conservative opposition party to restore tax indexes, the federal government Budget 2000 finally implemented indexed taxation.

Provinces and municipalities should be mindful of 'Bracket Creep" in developing their taxation policies.

Taxes – Personal Income Taxes

The brain drain in our country is a stinging indictment of how our long-prevailing high tax levels have damaged

Canada's productivity as a nation. The past government's huge income tax levels were directly responsible for turning an entire generation of our best, brightest and most productive workers into economic refugees, fleeing for the lower tax regime of the United States.

Just as it is important to educate and train our future labor force, it is equally important to keep them here when they enter their productive years in the work force. That requires tax levels that encourage people to stay in Canada and businesses to grow and innovate.

Our new federal government is moving strongly in this area by reducing the lowest personal income tax rate to 15 per cent from 15.5 per cent as of January 1, 2007, and eliminating income tax on student scholarships, fellowships and bursaries.

Taxes – Tax Relief

Under the former Liberal government, federal income tax revenues increased by 38 per cent and corporate tax revenues rose by 139 per cent. No wonder Canadians were suffering from sinking disposable incomes.

The Liberal approach to tax cuts often involved lowering one tax, while raising another. For instance, the Liberals lowered employment insurance premiums for employees by 20 cents and then subsequently raised CPP premiums by the same amount. In a similar effort, the Liberals lowered employment insurance premiums by 15 cents and then re-raised CPP premiums by 30 cents, generating an overall increase in the payroll tax burden.

Lowering one tax, while raising another is not a tax cut.

Canadians have long needed sweeping tax relief to provide them with more money in their pockets.

The present Conservative government is providing some tax relief for Canadians and helping housing affordability by lowering taxes for working Canadians and reducing taxes for Canadian businesses. But more must be done at the federal, provincial and municipal levels to examine the benefits of doing more to facilitate a tax environment that assists housing affordability and encourages the private sector rental housing industry.

Taxes – The Goods And Services Tax

A Liberal affordable housing task force in 1991, under Paul Martin, correctly claimed that the GST would exacerbate and decrease housing affordability.

The GST is not only across the market and tacked on retail purchases as a “second” federal tax - the first federal tax is automatically lifted from your pay cheque before you get it - it is permeated throughout the materials used to build your house or the apartment building you are renting. The cost of paying for and calculating GST by the businesses and contractors is passed on to you.

The present Conservative government has taken steps to address the GST, reducing it from seven per cent to six per cent and then to five per cent.

These measures are designed to assist working Canadians where it counts – their pocketbooks!

Reducing the GST provides incentives for consumers and developers alike and will provide further assistance to households in need.

Taxes – Hotel Tax

Some provinces levy a user-based tax on hotel room rentals. In 1987, Alberta added a five per cent surcharge on the daily room rate. For some, this five per cent can make the difference in whether they can afford to rent a modest room.

This tax was to pay for encouraging tourism, which for low income workers and families did nothing. This tax is another of many examples of the after-tax pay cheque taxes – taxes on taxes – similar in nature to the GST.

Temporary housing affordability would have been improved significantly if this five per cent provincial tax grab and the related federal tax grab were removed or substantially reduced. Housing affordability is directly related to how far people can stretch their after-tax paycheques. For some, a hotel is home.

That is perhaps why in 2005, the Alberta government replaced the Hotel Room Tax with a four per cent tourism levy. The levy does not apply to rooms occupied for more than 28 consecutive days by the same person, or to establishments with fewer than four bedrooms to rent at the same time in the same location.

Taxes – Property Tax

Taxes are business costs and all such costs are passed along to the consumer. In a normal market, pressures inhibit excessive profit taking so that cost reductions, or taxation reductions, if any, are generally passed along to the consumer. Property taxes generally amount to one or more months rent per year.

Property tax - which accounts for approximately 15-30 per cent of rent - can have a large impact upon the returns yielded by rental investors and on rental affordability.

Edmonton's business tax is calculated by multiplying the total leased or occupied area (square footage) by the net annual rental rate for the type of premises. The assessment (square footage x net annual rental rate) shown on the assessment notice is multiplied by the tax rate set by city council.

This tax is typically much higher for owners of rental apartment units than it is for owners of identical condominium apartment units.

In Edmonton, multi-unit apartment rental units identical to multi-unit apartment condo ownership units are taxed 20 per cent higher. For renters living on the edge, a $200 extra discrimination tax per year is significant.

In some other jurisdictions, the taxation difference is much higher.

Taxes – Capital Gains

Evidence is clear about the dampening effects of high capital gains taxes on a nation's economic growth – particularly in areas of innovation. One step forward to improving the productivity of our nation would be to significantly reduce this productivity-killing tax.

As of 1972, 50 per cent of all capital gains were included as taxable income. In 1990, this percentage was increased to 75 per cent, but has since been scaled back.

Capital gains taxation remains a point of contention for private sector rental housing developers and investors.

The government should explore options for a reduction in the effective capital gains tax and include capital gains to be factored into the determination of profitability when applying the Reasonable Expectations of Profits Test (REOP).

Capital gains should be examined to allow the roll over on the sale and reinvestment of real estate assets.

Taxes – Corporate Taxes

Small businesses are the engine of job creation and growth for this country. Under the past Liberal government there was a tax system in place that made it increasingly difficult for small Canadian businesses to operate.

The present Conservative government is helping labor productivity by creating a tax environment that encourages businesses to grow and innovate by reducing taxes on small businesses.

Taxes — Payroll Deductions

"We believe there is nothing more ludicrous than a tax on hiring. But that's what high payroll taxes are. They have grown dramatically over time. They affect lower wage earners much more than those at the high end."

- Finance Minister Paul Martin, October 17, 1994.

The former finance minister's comments are truthful and people questioned why he continued to kill jobs by keeping Employment Insurancel premiums higher than necessary. Combined with the massive CPP premium hikes, Canadians were subject to higher and higher payroll taxes.

Although the Liberal government recognized the need to reduce high payroll taxes, it was the new Conservative government that effectively took action on this issue by: creating a new Working Income Tax Benefit; creating a new $1,000 Canada Employment Credit to lower taxes for working Canadians, and; increasing the amount all Canadians can earn without paying federal income tax to $9,600 in 2007 and 2008 and to $10,100 in 2009.

Taxes – Rental Housing Affordability (CFAA)

There is a scarcity of rental units for low and medium income Canadians yet rental availability and affordability is important in maintaining a stable work force.

Governments at all levels must recognize how their own tax systems have dampened development in this area.

The Canadian Federation of Apartment Associations has suggested a number of tax changes that would stimulate private sector development in housing, such as allowing investors to defer CCA recapture and capital gains on the proceeds from the sale of rental property when the proceeds are reinvested in another rental property within a reasonable time. This is currently allowed in the United States.

A second suggestion was to allow a 50 per cent rebate on construction of new rental projects and on major renovations to existing rental projects under the federal GST and HST.

This would treat private rental projects the same as social housing.

These two suggestions are worthy of serious consideration by our government.

Land Transfer Tax

A recent land transfer tax proposed by City of Toronto Mayor David Miller has been the cause of much speculation. The Toronto Real Estate Board argues that the tax targets those who can least afford it.

This tax would be imposed on property sales and would be proportional to the cost of the property being sold. In effect, the higher the property value, the higher the tax rate with a top rate of two per cent applying on properties worth more than $400,000.

This, of course, would mean that all rental apartment buildings sold would be taxed the full two per cent.

As it stands, in Toronto and across the country, the prospect of home ownership has become the exclusive priority of the well-to-do. In today's market, a household typically needs an income of $106,000 to afford a standard, two storey home in Toronto.

This effectively excludes approximately 80 per cent of Toronto households.

Even condo ownership is becoming an exclusive privilege as 60 per cent of households can no longer afford this option. In Edmonton and Calgary, similar trends are occurring.

Legislatively, taxing private sector rental housing with a land transfer tax will simply raise rents even higher.

Taxes — Carrying Interest For National Debt

Canadians continue to be very concerned about the high level of debt carried by this country.

The past Liberal government's continued refusal to set up a legislated debt repayment schedule had reasonable Canadians questioning their government's true commitment to debt reduction.

The new Conservative government has embarked upon national debt reduction and enacted a legislated debt repayment schedule.

It also has implemented a "Tax Back Guarantee", which will use interest savings from national debt repayments to reduce personal income taxes, each and every year.

While the new government is moving positively on several of the taxation issues, it is important to be very mindful of the impact of taxes on housing affordability.

COST TO TAXPAYERS OF BUSINESS AND PERSONAL DONATIONS / GIFTS

As well-intentioned and most gratefully received as it is, it is important to mention that when a business or an individual makes a substantial philanthropic gift or grant to a non-profit that there is one important consideration - the money being donated / granted is partially taxpayers' money.

Grants by a corporation or individual are tax deductible by up to 50 per cent which means that this percentage reduces the overall taxes collected by government.

As well meaning as business and individuals are to gifting non-profits, it is important to keep in mind that it is the taxpayer who shares up to 50 per cent of the cost.

When these well-meaning grants or gifts are added on top of a multitude of direct federal, provincial and municipal grants on one project - beyond reasonable expectations of normal financial need to operate the project - everyone should be concerned.

Currently there is little attempt by government to consider the true cost of the multiple layers of grants or on how this impacts the taxpayers of Canada, or even on if there is a reasoned need.

Furthermore, because of this sometimes excessive granting, many more who are in equal or greater need can not be accommodated.

GOVERNMENTS' ROLE

Governments of all levels have one concern in common which was underscored at a July 2007 meeting in Calgary including both federal and provincial ministers and federal and provincial representatives associated with housing concerns. They indicated that they had difficulty in large scale subsidies for the private sector rental development industry.

This conservative attitude particularly stems from the generally perceived dislike of "corporate welfare funding" and the misguided belief that non-profits do not cost governments as much as government-funded social housing used to in the past.

While the rental development and management industry feels strongly that the substantial agrarian federal and provincial governments do not understand their urban concerns, they also recognize that there is an antipathy towards the private sector rental industry by the cities that inhibits development.

The public must know that the private sector rental industry is ready, willing and able to provide, but the city planning departments seemingly are resisting private sector rental development.

To encourage necessary larger scale private sector rental development, governments must consider implementing measures such as: capital grants; forgivable loans for building; land in lieu; equalization of fees; development costs; and normalized business taxation with residential rental development companies. These types of measures that are designed to ameliorate past industry development barriers, properly implemented, would encourage long-term stability for entry-level rental investment.

Capital grants, forgivable loans, and land in lieu could be tied to medium-term second mortgage contracts with serious assurances to limit rent increases and property flipping. This methodology should be worked out with the rental industry and government.

An examination of the applicability of Private-Public Partnership (P3s) initiative is important.

Another vehicle might be incorporating the well-understood principles of the franchise industry. Franchises maintain quality and affordability within the free marketplace and adhere to strong management principles.

Providing incentives to the private sector will help offset barriers to development and ensure a strong and sustainable rental housing market.

MINIMIZE PROPERTY FLIPPING

While interest-free government loans have time allocations and forgiveness dates of approximately 15 years, depending on the size of the contribution, the loans could also be written off by the government, or a facilitator agency, for the length of forgiveness term.

This would mean that in the Red Deer Project's situation, (See page 133) a joint, combined granting shareholders' contribution of 80 per cent of the projects' funding costs, would entitle those granting agencies to, on a sliding scale basis, up to 80 per cent of the project proceeds, not just the grant funds invested, if the project is sold before the expiration of the contracted forgiveness date.

In an escalating, overheated market, this would help constrain the temptation to cash out, as the joint contributors would be entitled to more back than they put in and would have the funds for reinvestment.

THE NON-PROFIT FUNDERS

When non-profit groups go looking for money for affordable housing there is an alphabet soup of different government agencies and organizations that they can approach.

Federal

Federal government programs for affordable housing have, until now, been the responsibility of various agencies and programs falling under the Ministry of Human Resources and Social Development.

The Homelessness Partnership Initiative (HPI) is the cornerstone of the Homelessness Partnering Strategy. That strategy was introduced in December 2006 as a replacement for the National Homelessness Initiative (NHI). Its housing-first approach recognizes that the first step is to provide individuals with transitional and supportive housing.

The program provides $269.6 million over two years to prevent and reduce homelessness by helping to establish the structures and supports needed to move homeless and at-risk individuals towards self-sufficiency and full participation in Canadian society.

Canada Mortgage and Housing Corporation's (CMHC) Affordable Housing Centre provides information on the range of financial assistance programs available from CMHC for affordable housing development.

Financial assistance programs are available for projects in the early stages of development, to support the creation of new affordable housing, and for renovation projects.

The money provided could be for seed funding for a project, funding a development proposal, renovation programs and the Affordable Housing Initiative.

The Affordable Housing Trust fund was established in 2006 to provide federal support to the provinces and territories to deal with immediate housing pressures. Alberta's share of the $3.3 billion fund is $81.1 million over a three year period.

The Supporting Communities Partnership Initiative (SCPI) was launched in 1999 by Human Resources and Social Development Canada to be the centre piece of the NHI, creating a more integrated and inclusive approach to homelessness and housing.

The program was designed to encourage local governments and agencies to work together with the private and voluntary sectors. SCPI grants had to be matched by community sources.

Residential Rehabilitation Assistance Programs (RRAP) offer financial assistance to low income households that own and occupy substandard housing to enable them to repair their dwellings to a minimum level of health and safety.

These federal programs have provincial and municipal counterparts.

Provincial (Alberta)

The provinces are also in the business of providing financial support for the affordable housing sector. In Alberta the responsibility falls to the Ministry of Municipal

Affairs and Housing.

The Ministry provides grants of up to 70 per cent of capital costs under its affordable housing program for municipalities.

Faced with a growing number of tenants unable to pay their rents due to large increases, the Alberta government has introduced a Rent Supplement Program. This $33 million program provides direct-to-tenant assistance for up to 1,600 households annually.

Additionally, some money is available in support of affordable housing projects through the Alberta Lottery Fund.

Municipal (Edmonton)

The City of Edmonton has a low income Housing Capital Assistance Program (LIHCAP) which provides capital funds to assist in the provision of new housing or the adaptation or upgrading of existing Social Housing or private sector low-cost housing to meet the needs of low income or special needs households. The city provides about 15 per cent of the cost.

The primary agency for affordable housing in Edmonton is the Edmonton Housing Trust Fund (EHTF) which was established in October 1999. Its goal is to assist in addressing the growing concern over the lack of affordable housing sufficient to meet the needs of Edmonton's lower-income and special needs citizens.

The Edmonton Housing Trust Fund almost exclusively funds not-for-profit projects, even though it claims to fund both those and private sector projects. The EHTF funding is used to help the chronically homeless and low income individuals in need of long term supportive or rental housing.

Money for the EHTF comes primarily from the federal government, with funds also coming from the provincial and municipal governments. The EHTF also appeals for money from the philanthropic, corporate, and general public sectors to fund its activities.

Since its inception, the EHTF has dispensed more than $65 million for its projects. As of 2006, through various partnerships,that had been matched and leveraged into about $136 million of construction value.

Through the city's Cornerstones Plan $25 million is available over a five year period to encourage the development of 2,500 affordable housing units. This $10,000 per unit granting, if added to the province's $25,000 per unit and the federal government's $25,000 per unit ($60,000 per unit total) could well be sufficient to bring the private rental sector developers back to the table with affordable rental units.

In partnership with the provincial and federal governments, the city also has a rent supplement program.

Under its Affordable Housing Program, Edmonton partners with the province in providing about 15 per cent of the funding provided by the province under the Canada-Alberta Affordable Housing Program.

The city also rebates municipal fees and charges for eligible affordable housing projects, typically about five per cent of the capital costs.

Private

While the vast majority of funding for affordable housing comes from government sources, sometimes grants are available from the private sector. Many groups such as the Real Estate Foundation of British Columbia have been known to support affordable housing projects.

NON-PROFIT GROUPS: GRANT SEEKING

The non-profit groups' proclivity for professionally stacking grant upon grant from all levels of government and society - as illustrated on Page 133 - actually is no different than the government financial inequities of social housing operations in the past. The public cost today to the taxpayers of Canada comes from multiple government grant plans and tax deductible industry generosity, but it still is many layers of taxpayers' money and it is still being spent inefficiently.

There appears to be little or no control to this taxpayer-paid approach which sometimes overwhelms judgement while rationalizing true client need.

While individual grantors from the levels of government and public and private agencies each have allocation limits for specific projects, many non-profit groups are skilled at maximizing layer upon layer of grants. They use computer access to the wide world of well-meaning granting organizations, thereby effectively going much further beyond each individual grantors intent - that being to assist a project, not to be contributing to pay up to 100 per cent of that project.

And then non-profit groups are able to access further subsidies to receive full market rent on a mostly paid-for building. The great financial attraction of this mostly taxpayer-paid golden goose approach sometimes overwhelms judgment in rationalizing true client needs.

The concern of this multiple granting is that the good intention to do better for the individual might become clouded by the tantalizing opportunity of giving the non-profit a very profitable income base from the real estate, far beyond the groups' regular charity collection efforts.

While the problem of the old social housing initiatives were fraught with cost overruns and poor management, those problems exist today only more widely under multi-layered grantors of smaller, limited, primarily rental housing projects, for which the non-profit housing groups seem to be missing one more important element of understanding - the economics of "economy of scale."

Government must seriously reconsider their swing towards small, inefficient, select, non-profit housing projects that take their clients from good integrated independent community living housing under the idea that dependent living is better.

They simply re-institutionalize the old social welfare housing policy that was antiquated and did not work.

However governments should consider that if housing affordability is the issue, then they should engage the efficiencies of the private sector.

PRIVATE INDUSTRY RESPONSE

The private sector rental industry is comprised of small to large players that are mostly long term and willing to work with lower profits in a stable, sustainable marketplace.

Many private sector rental housing groups now have their strategy and plans well in place with their existing stock of rental units to compete with the realities of today, but would work towards a more stable and less government intrusive future if encouraged.

Today however, there also are many prepared to convert rental units to condos for short term profits because the existing rental market is so unbalanced.

Industry Canada could work with the private sector development and rental industry to deal with a long-term program that will entice new development work, bring about stability, and would slow down the number of condos being converted.

Industry developers, owners and investors must be convinced that the government is serious about drastically reducing the present disincentives towards development and ownership, and are willing to view the private sector rental industry as a long-term national necessity.

Some companies are in tune with the present situation and fully recognize the need for increased government action.

However, government inaction has created expectations of higher and higher rent due to low new supply and the possibility of selling the fewer remaining units as condos. Considering they are valued as rental units at $70,000 each, but valued as condo units at $200,000 each, the opportunity is attractive.

The serious long-term investment sector of the industry will respond if in-depth consultations produce industry favorable actions by governments.

REALITY OF THE REGULAR LOW TO MIDDLE INCOME WORKER

Even in a healthy competitive rental housing era, the minimum wage worker was never able to fully cover the rent of a standard two bedroom family apartment - even with 50 per cent of their take home pay.

The issue is not about those living in abject poverty or on minimum wage, but the needs of tens of thousands of regular lower income workers and their families who can't find affordable rental accommodation.

Other provisions have to be made by government subsidy or other means for the lowest income people, to allow them to live in the housing which is the subject of this book.

With low supply and high demand, rents are sky-high. We are approaching a crisis where even a 10-year employee of a Canadian retailer, earning much more than minimum wage - $12-15 per hour and taking home $2,000 monthly - has no hope of paying the inflated $1,000 monthly rent on a modest 40-year-old two-bedroom apartment – even were there one available.

A person working regularly and diligently has the right to expect that government is not the major impediment to accessing affordable independent living rental housing.

It should be noted that the majority of those awaiting social welfare housing - many of whom are working in the service industry - are mostly lower income workers, desperate for housing relief but who can pay reasonable market rents.

HOUSING AFFORDABILITY STATISTICALLY

Statistics Canada has categorized average Canadian incomes into five equally sized groups, or quintiles, according to the chart below:

FAMILY HOUSEHOLD INCOME GROUPS (QUINTILES)
Canada, 2007

Income Group (Quintile)	Earnings (Yearly)	Average Annual Income (Monthly)
1. Low Income	0-$17,000	$10,000 ($833)
2. Moderate Income	$17,001 - $33,000	$25,000 ($2,083)
3. Middle Income	$33,001 - $55,000	$43,000 ($3,583)
4. Upper Income	$55,001 - $88,000	$70,000 ($5,833)
5. High Income	$88,001 and up	$158,000 ($13,116)

(Source: National Post, September 25, 2007)

If affordable housing is defined as 30 per cent of total household income spent on accommodation, the following chart provides the affordable monthly rents according to each income group or quintile.

RENT AFFORDABILITY BY INCOME GROUPS

Income Group (Quintile)	Average Income	Rent Affordable (30% of Monthly Income)
1. Low Income	$833	$250
2. Moderate Income	$2,083	$625
3. Middle Income	$3,583	$1,075
4. Upper Income	$5,833	$1,750
5. High Income	$13,116	$3,935

The first group, or quintile, represents the lowest 20 per cent of lower income earners. This group has needs that require the intervention of government and the social welfare sector for subsidies to facilitate paying normalized market rents. Greater than normalized rents would require even more subsidies. A return to normalized, more competitive private sector market rents would enable governments to provide fewer additional subsidies for rental top-up and other necessities of life.

The second group, or quintile, represents 21 to 40 per cent of moderate income wage earners and are primarily those who do not receive social assistance, but are struggling service sector lower income workers trying to cope with artificially inflated private sector rental rates. Normalized rental rates would return when the barriers by governments are greatly reduced and the private sector rental market industry returns to a competitive, free market, level of consistent business.

According to CMHC, the average monthly rent for a two bedroom apartment in Alberta was $932 in April of 2007. This is exerting pressure on the third income group, or quintile, which represents 41 to 60 per cent of middle income wage earners.

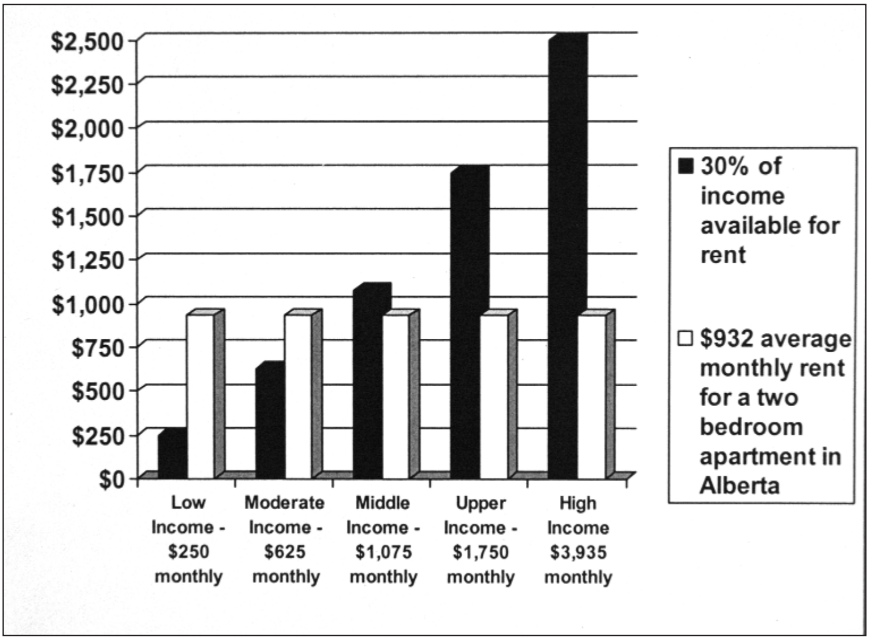
A government-induced, destabilized, private sector rental market industry also destabilizes the entry-level home ownership marketplace, artificially driving up prices of both entry-level condos and rental apartments far beyond the true cost of replacements and cost of living and wage increases.

Of course, governments, by and large, hold the keys to land development for rental apartments and also hold the responsibility for its affordability and abundance.

According to the spring 2007 Canada Mortgage and Housing Corporation (CMHC) report on the rental market in Alberta, the province has the highest total average rents of all the provinces in the country. The highest average monthly rents in Alberta were in Fort McMurray (Wood Buffalo) where two bedroom apartments were listed at $1,681!

While the focus of this report is only on the lowest three groups, or quintiles, of income earners, the following chart of average rents of two bedroom apartments indicates that even the fourth group, or quintile, 61 to 80 per cent of wage earners, is having affordability problems with rent, as can be seen at 30 per cent of income by quintile in Fort McMurray (Wood Buffalo).

RENT AFFORDABILITY BY INCOME GROUPS (ALBERTA)



As can be seen, rental affordability begins with a strong consistent supply by the rental industry to market needs of economical and practical entry-level rental housing units.

Supply has stagnated as construction of new rental units has not kept pace with population increases.

This situation is highly questionable as normal market influences would move in to supply shortages, but because of the barriers, the rental ownership and development industry has not.

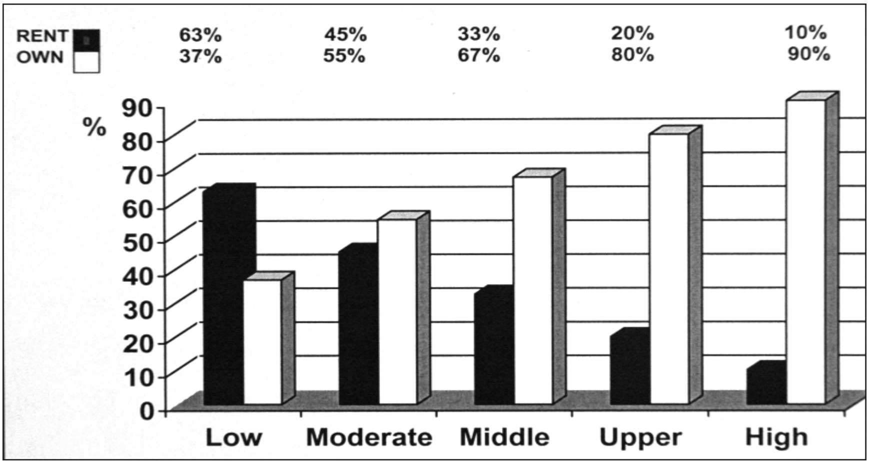
We must explore why!

Market shortages have artificially induced recent rental increases of hundreds of dollars monthly in cities like Edmonton and Calgary. This affordability level puts undue pressure on all families earning less than $3,583 monthly or $43,000 per year.

This means in cities such as Calgary, Edmonton and Toronto, affordability of entry level rental housing is a problem of varying intensity for fully 60 per cent of all income earning families, who are estimated to be fully 80 per cent of all renters.

Furthermore, Statistics Canada identifies those that are renters by income percentiles.

DISTRIBUTION OF HOUSEHOLDS BY INCOME LEVEL AND TENURE, CANADA, 2001



(Source: CMHC 2006 Housing Observer)

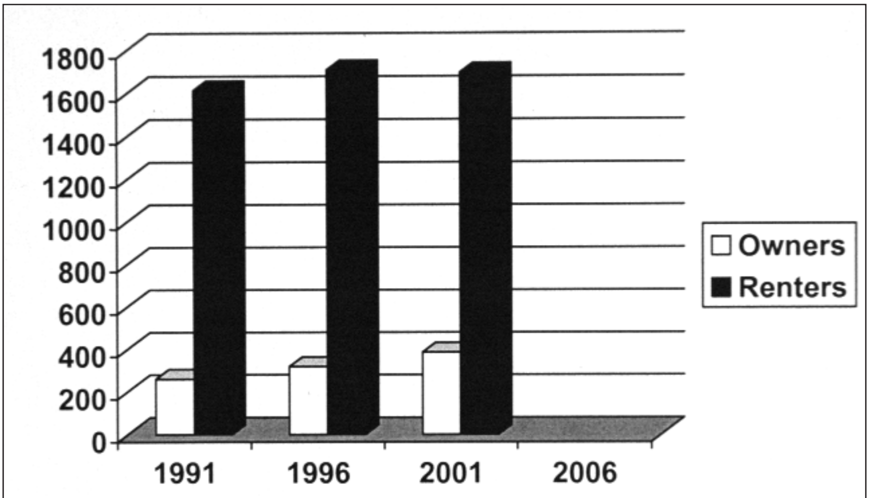
The lower the income the more likely a family is to be renting. According to the 2006 CMHC Housing Observer, 3,907,170 of 11,562,975 Canadian households, or 34 per cent of total households were renters.

The statistics charts imply that the 60 per cent of

Canadian renters in the lower three quintiles have affordability problems for renters. This also represents approximately 80 per cent of all renters in Canada, because most renters are in the lower income bracket.

Therefore, it is fair to say that 80 per cent of all renters have affordability problems of one kind or another. For most of these income earners, moving on to condo or home ownership is not a financial option.

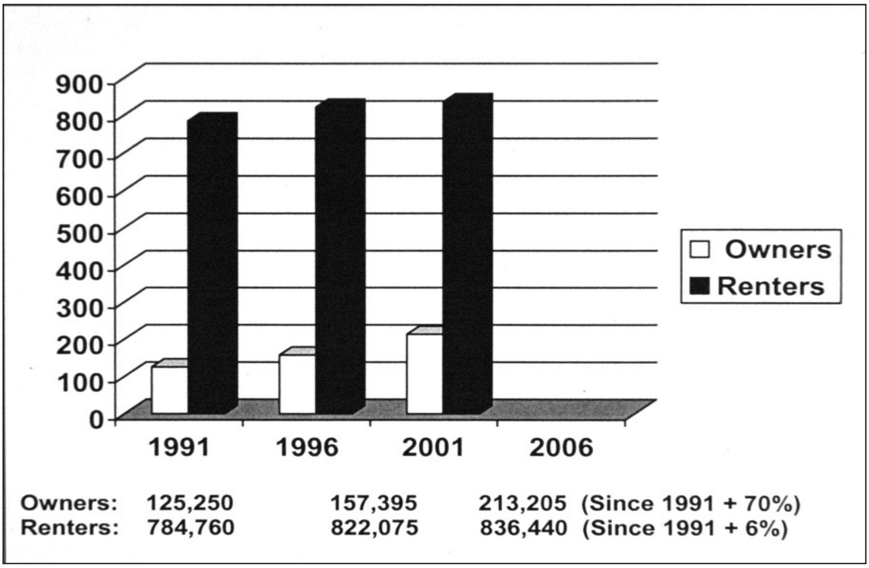
Occupied Housing Stock, Apartment Buildings Fewer Than Five Storeys (Thousands)



Owners:	260,350	318,645	386,165	(Since 1991 + 48%)
Renters:	1,613,745	1,709,375	1,696,730	(Since 1991 + 5%)

(Source: Statistics Canada Data from CHMC Housing Observer 2007 p A-14)

Occupied Housing Stock, Apartment Buildings Five Or More Storeys (Thousands)



(Source: Statistics Canada from CHMC Housing Observer 2007, p A-14)

These tables, from Statistics Canada data included in a report by the CMHC, provide a clear outline of rental and ownership trends from 1991 to 2001.

The table shows that there was a substantial rise in condo ownership of approximately 60 per cent, while apartment rental trends have remained unusually stagnant over the same 10 year period, increasing by only approximately five per cent.

This table demonstrates that there is potentially a problem in the free market supply of private sector rental apartments as society as a whole has not shifted from rental to ownership. The shortage of new development from the private sector rental industry artificially drives up rental costs and further drives more people into home ownership.

HOUSEHOLD GROWTH BY TENURE

Our society has been said to be moving from a nation of renters to a nation of home owners. For more than 30 years, home ownership has been increasing at a faster rate than renting.

This increase is due to a number of factors, including historically low mortgage increase rates and the aging baby boomer population with the higher income necessary for home ownership

While the percentage of home owners has increased when compared to those who rent, the numbers of renters have seemingly increased also as Canada's population has increased.

However new rental apartment construction, which has not increased at a rate sufficient to meet demand, is the underlining cause for this statistical anomaly.

Additionally, as the population ages, an increased demand can be expected for rental apartments when the baby boom generation begins to downsize in their older years and they liquidate their housing assets to provide for their retirement funding. These older persons re-entering the market for apartment housing put additional pressure on the marketplace.

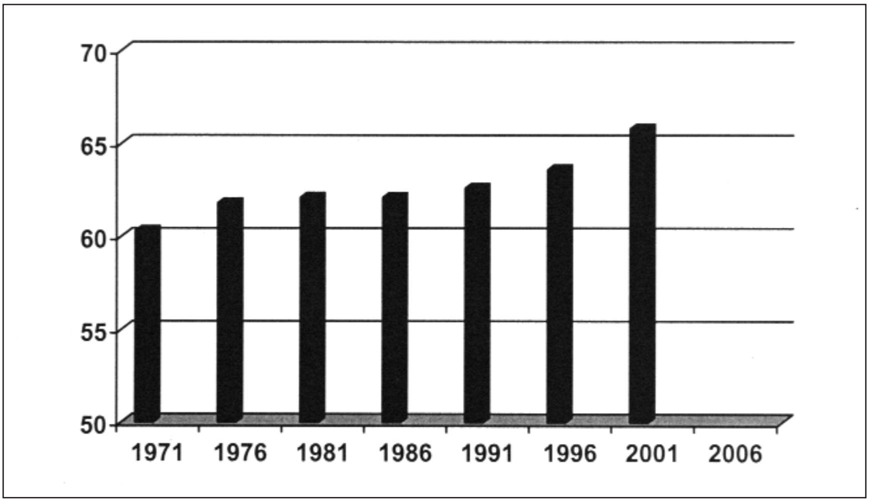
According to the 2003 edition of CMHC's annual

Housing Observer: "... between 1996 and 2001, growth in owner households accelerated, while the number of renter households barely increased.

"According to the 2001 Census of Canada, the number of owner households grew by an annual average of 146,500, renters by a mere 400.

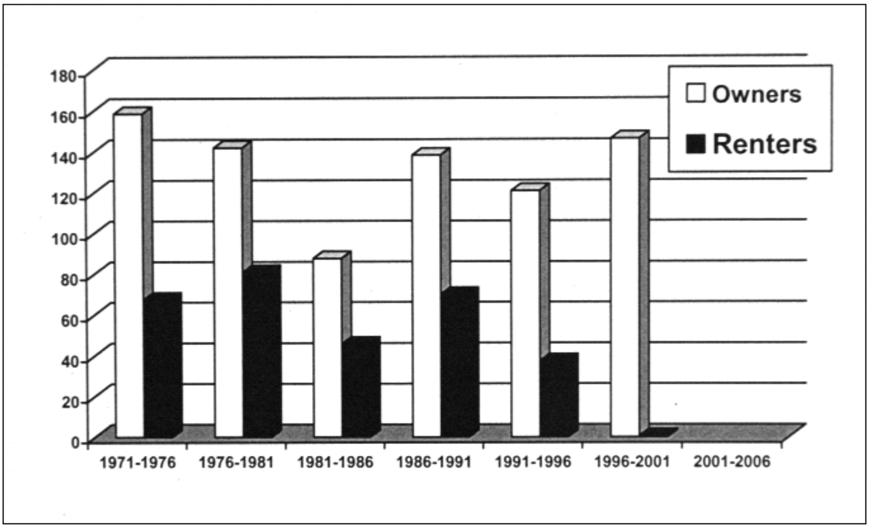
"The ownership rate in Canada reached 65.8 per cent in 2001, up substantially from 63.6 per cent in 1996."[12]

Ownership Rate, Canada, 1971-2001
(Owners as a percent of all households)



(Source: Statistics Canada - Data from CMHC Canadian Housing Observer 2007, p. A-11)

Household Growth By Tenure, Canada 1971-2001
Average Annual Household Growth (Thousands)



(Source: Statistics Canada - Data from CMHC Canadian Housing Observer 2007, p. A-17)

THE ECONOMIC IMPACT OF UNAFFORDABLE HOUSING

Great economic growth brings with it great social need. Workers and families must be housed or economic growth will falter.

This is most drastically illustrated by the plight of those living in Fort McMurray, but it is now at a critical stage in Edmonton and Calgary.

There have been comments that potential workers not consider coming to Alberta unless they have a job and a home.

This is sending exactly the wrong message to potential workers, regardless whether or not accommodation is available.

To dissuade those who are desperately needed and would willingly work in the service industry leaves a void that will negatively impact the growth of industry development.

Workers are needed in restaurants, grocery stores, department stores and all other services that support heavy industry.

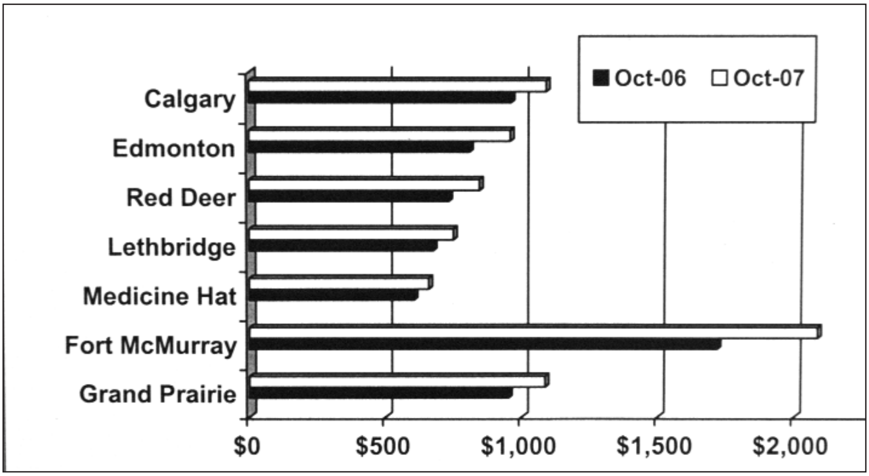
A lack of affordable housing is having a detrimental impact upon industrial growth and is impeding the development of a healthy and competitive rental housing industry.

As this chart of Alberta rents shows, at 30 per cent of income, wages of $3,200 monthly were needed to be able to afford a two-bedroom apartment in Edmonton renting for $958 monthly in October 2007.

Wages of $6,950 monthly were required for a $2,085 monthly rent in Fort McMurray.

Rents across Alberta continue to rise.

AVERAGE RENT TWO BEDROOM APARTMENTS (ALBERTA)



(Source: CMHC Rental Market Report - Alberta Highlights - Fall 2007)

DESIGNATING FIVE PER CENT OF NEW DEVELOPMENT PROJECTS FOR LOW INCOME RENTAL UNITS

Edmonton's recently proposed five per cent affordable housing policy provides that new condo apartment builders sell apartment units to the city at 80 per cent of what first time buyers would be paying. The payoff, or the carrot, for developers would be density easements and rapid and preferential city planning approvals.

The stick for those not succumbing to the intimidating tax grab could be very expensive foot dragging of their condo apartment development projects through city planning approvals.

"The city's proposed five-per-cent affordable housing policy is not the answer," says Vince Laberge, President of Canadian Homebuilders Association, Edmonton region, Edmonton. "In fact, if this policy is passed, it will increase overall housing and land prices and exacerbate the crisis."

Once again, another egregious government induced tax on building developers is indicative of an ever worsening governmental understanding of the remedial action needed to lessen the rental housing affordability crisis.

Exactly whose pocket does the city believe is paying for this discount? The city's affordable housing planners appear to be simplistically trying to force high-end expensive housing to be entry-level affordable housing, and then are downloading this wasteful housing policy cost on first time condo buyers.

Governments at all levels must realize that the affordable rental housing shortage is the result of discrimination against new entry-level rental housing development - with layer upon layer of egregious government taxes, fees and land shortage restrictions.

This newest plan by the city of Edmonton is yet another carrot and stick tax barrier now aimed directly at the development of the only alternative to high rental costs - affordable condo homes.

Developers do not need more obstacles, but need barriers removed to help solve the current crisis in affordable rental and now condo apartment housing.

The city does have a choice in order to encourage affordable rental housing development: remove the discriminating barriers or massively subsidize them away.

P3s

Public-private partnerships, or P3s, are cooperative arrangements between the public and private sectors that utilize the skills and expertise of each partner to maximize rewards, minimize risks, and appropriately allocate resources.

Public-private partnerships capitalize on the expertise and innovations of private enterprise and can be an important source of much needed capital to finance government programs and projects.

Within Canada, there are many different models of public-private partnerships that are geared towards infrastructure development that should be used as an effective means to promote private sector, multi-unit rental housing.

Employing public-private partnerships for the construction of private sector, multi-unit rental housing will provide the same levels of opportunities such as land availability, taxation and fee equality, with other, mostly infrastructure related, public-private partnerships. P3s can provide long term, lower cost, large volume, rental housing.

The business philosophy in using the P3 model is to facilitate an attractive business opportunity for private multi-unit rental housing developers with a profit potential of 20 to 25 years and with eventual, real property ownership.

Perhaps this forward thinking funding idea could be combined further with an environmentally conscious approach of reduced low-energy lighting, heating and insulation techniques to help sustain the projects' long-term financial viability.

Recognizing the strategic importance of public-private partnerships, the Conservative government of Canada released a "Building Canada" infrastructure plan on November 6, 2007, which includes three major components related to public-private partnerships. These include:

• The $1.25 billion Public Private Partnerships Fund, which will support innovative projects that provide an alternative to traditional government infrastructure procurement.

• P3 Office - $25 million over five years to facilitate a broader use of P3s in Canadian infrastructure projects, including through the identification of P3 opportunities at the federal level.

• All projects seeking $50 million or more in federal contributions through the Border Crossings Fund and the Building Canada Fund will be required to consider the viability of a P3 option.

Public-private partnerships should be explored as one very important possible vehicle to encourage the re-engagement of the private sector rental housing industry to create long-term, economically sustainable, affordable rental housing.

FRANCHISING

One of the problems with rental housing is perception and outright discrimination particularly at the municipal level. This is evidenced by city councils readily passing levies and fees - such as much higher taxes to rental properties - knowing that it is the lower income renters who end up paying.

Of course there have been landlords who have rightly deserved criticism and regularly get roasted or charged, with substantial public fanfare, which adds to the image problem.

There are many, many good landlords but because of a few bad ones and the adverse publicity given, they are tainted by association. A different, new approach is needed.

The hotel / motel industry in the 1960s realized it too suffered from a similar image problem. It accomplished a dramatic change by franchising control of quality and national marketing. Anyone who has stayed at a modern, franchise hotel or motel will know of the tight quality control and standard from coast to coast.

Private sector rental apartments could be marketed and managed similarly. The group organizer and management would be the franchisor.

The franchisor could assemble the legal finances, marketing, product branding, government liaison and manage the quality assurance.

The government could participate as in a P3 - Private Public Partnership - for the financial investment needed to create affordability and to effectively contribute one-third of funding but own one-third of all projects until the agreement is terminated or until 15 years, after which all funding is forgivable.

The franchisee would own two-thirds of their own project for the first 15 years, then own it all. They might pay the franchisor an annual fee for overall corporate management, quality control, for use of the name, and marketing image.

The rental project would be assured much better municipal, provincial and federal image through the confidence brought about by good management.

It works for motels; why not rental homes?

RENT CONTROLS

With the decline of the private sector rental industry from rental housing, measures were developed to assist low income households with the housing shortage and the spiraling costs of rent. Known as "demand measures," these policies seek to alleviate the immediate pressures of the housing affordability crisis, yet they fail to adequately address the issue over the long term.

Rent controls might provide some temporary relief, but are not an adequate solution to the current crisis. Rent controls are a cap on profit and therefore discourage potential entrepreneurs from entering the private sector rental market.

Rent controls fail to address the root problems such as the restrictive supply of land, and zoning, and tax measures for the development of affordable, private sector rental housing.

Rent controls are a cap on the maximum amount of rent imposed by landlords. By preventing rent increases, rent controls certainly help tenants in the short term, but by preventing the price mechanism from responding to normal market supply and demand they impede rental industry development and expansion, putting further pressure on supply.

Rent controls limit profit returns and therefore discourage investors and builders from entering the market. This ultimately has a negative affect on new rental apartment housing construction - a supply that if sufficient, will itself moderate rental rates through supply and demand.

What other industry comes with price controls in a free market without at least the investigation and analysis of what is driving the price?

We understand why world prices of oil have caused gas prices at the pump to rise so high so fast - it's because of shortage of supply. While we can't do much about the world supply of oil, we certainly can do something about the supply of entry-level, affordable rental housing in Canada.

Rent controls are reactions that are far too easy for political entities to enact, while the root causes are ignored. This further exacerbates the good intentions of a willing and capable multi-unit rental industry, frustrated in its attempts to expand and build more in response to market demand.

RENT SUPPLEMENTS

Another measure implemented by governments as a demand measure are rent supplements or distributed household assistance.

A rent supplement is a measure where a social welfare agency and a landlord agree to enter into contracts to provide rental units affordably for low income tenants for a specified period. The program provides low income tenants with monthly subsidies to reduce the rent to a level that corresponds to 30 per cent of the household's total income.[13]

Rent supplement measures are often difficult to accurately administer when demand is high, and expenses can often get out of hand if subsidies are administered without careful consideration. Moreover, it is often the landlords who end up benefiting from such measures as rent subsidies do not end up lowering the rates.[14]

Under the Private Landlord Rent Supplement Program the tenant pays 30 per cent of their income to the landlord and the government pays the landlord the difference between this amount and the market rate for the apartment. There are almost 5,000 people across the province of Alberta receiving help under this program. Unfortunately there are more than 100,000 Alberta families paying more than 30 per cent of their income for rent.

Those who say government shouldn't be subsidizing private industry need only look at the existing programs. The government is already supporting private industry. What are rent subsidies, if not grants to landlords?

The fact that the new program sees the money paid to individuals is irrelevant – the money is still going into the landlords' pockets. And if landlords know the government is pouring money into rent supplements it seems likely they will continue to increase rents.

Ironically, the same governments that have created barriers and are hesitant to provide incentives to the private sector rental development industry are the very ones that are contributing to affordable housing shortage.

The public is certainly not aware that some non-profits receive multiple public grants that completely cover the costs of building the housing projects.

In addition, non-profit groups receive more public grants that raise low income tenant rent payments to full market rent, while some non-profits further capitalize on their tax free status.

No building costs, full market rents, and no property taxes equal a very profitable non-profit organization.

These types of programs, while helpful to the chronically homeless and very low income persons, do not address the root problem - the lack of affordable, new entry-level rental housing freely coming onto the marketplace as need grows.

Moreover, rent subsidies do nothing to discourage landlords from raising rents as they know tenants receive compensation from government.

To break this cycle, the construction of new, affordable rental units is necessary and more private sector involvement is required. Providing rent subsidies artificially inflates the rental market and perpetuates the problem.

LEGALIZING SECONDARY SUITES

A secondary suite can be a self-contained one- or two-bedroom living unit developed in home basements or a converted second storey space - with a separate bathroom, kitchen and entrance - rented separately from the main floor home.

Secondary suites have become more common in Edmonton as homeowners look for a little extra income.

These suites usually contravene city bylaws with many having problems with electricity, plumbing, fire enforcement codes, building codes and zoning contravention.

There are many issues that must be addressed if secondary suites are to be incorporated into established neighborhoods.

Theoretically, if every homeowner in an area decided to open just one secondary suite, the neighborhood population could double. That results in double the pressure on the sewers, garbage collection and postal services for example.

Most homes in residential areas are not designed for parking multiple vehicles. That means on-street parking could change the character of a neighborhood and provide additional difficulties when clearing winter snow as there are more vehicles parked on the streets.

Ask any visitor to Surrey, BC, how easy it is to find on-street parking in the congested residential neighborhoods that now have secondary suites.

People choose to live in a particular neighborhood because they like its planned character, because of the schools, because of the parks, because of proximity to shopping, church or work.

Population density and ease of access is part of the appeal of a community. Allowing secondary suites changes the population density and can negatively impact property values.

When the value of property declines, you can be certain owners will take their case to the city and look for some form of compensation for that drop in value.

While the financial aspects of secondary suites may seem appealing, homeowners may find themselves unsuited for their new role as landlords and have difficulty maintaining their rental units. There are sometimes problems with tenants, tax implications and a new level of liability.

Illegal secondary suites have become commonplace throughout the country as economic growth has increased the demand for rental housing and as homeowners search for some extra income to help pay their mortgages.

They are most often converted household basements or upper floors of existing houses.

While some say secondary suites will help offset the rental housing shortage, they are a less reliable means to deal with rental housing affordability over the long term.

There are a number of controversies surrounding the use of secondary suites involving congestion issues and safety and zoning standards.[15]

Although legalizing secondary suites may provide some legitimacy to their use, these units will not measurably add to the rental market supply, as most home owners who would develop secondary suites to respond to market supply and demand conditions have already done so.

AFFORDABLE RENTAL HOUSING AND THE NON-PROFIT SECTOR

There was once a healthy private rental industry that varied from mom and pop retirement investments to "economy of scale" investments of large developer-owners with thousands of units.

A healthy, free marketplace was reasonably self-regulated as new units were added according to marketplace demand.

The non-profit social industry, and its multi-level grant privileges, at times unnecessarily engages into the private sector entry-level rental housing under the euphemism of "transitional" housing. With the non-profit sector's access to grants and subsidies, the private sector cannot compete.

While some specialized social housing is needed to help individuals with particular physical limitations and a need for regular social assistance interaction and care, one-half of those that leave shelters – and most low income working people on social housing waiting lists - simply require an affordable home.

Of note is that in New York City the homeless agencies don't put a preeminence on brick and mortar ownership but find and fund through their agencies private sector rental units in the community for their clients.

Edmonton and Calgary seemingly put the preeminence on capital building and uni-issue, non-community, integrated population edifices with, of course, shelter or non-profit ownership.

While the American direction is more human management in the community, the Canadian propensity is prioritizing non-profit owners' property ownership, collectivizing the select human need in one facility which of course excludes the private sector from participating as a landlord but also lessens full community integration for the clients.

In the past three decades the private sector dropped out of the singles and family rental housing business due to a multiplicity of reasons that can be determined and acted upon to encourage their return.

NON-PROFIT FUNDING DIFFICULTIES

One example of non-profit difficulties was a project in Red Deer that contained 65 units (26 designated as affordable units, 20 as transitional housing and 19 at market rates,), built at a cost of $5.8 million, or about $89,000 per unit cost. The intent of this fully accessible building was to provide affordable housing for those with disabilities.

On top of layer upon layer of taxpayer cash grants (totaling more than $41,000 per unit in multiple layers of granting several years ago when building costs were much less), the owners of the non-profit organization, Innovative Housing, could charge full market rents on 19 of the 65 units, with the remainder receiving additional provincial funding to top up rents to full market average rents.

LISTING OF GRANTS RECEIVED ON THIS 'ONE' PROJECT

Federal	$ 650, 000
Province of Alberta	$ 650, 000
City of Red Deer	$ 500, 000
Federal	$ 456, 029
Handicapped Housing Society of Alberta	$ 270, 000
Province of Alberta	$ 72, 962
Red Deer Foundation	$ 50, 000
Province of Alberta	$ 43, 971
Total	$ 2, 692, 962

The first question is: Who are the gatekeepers of overall appropriate taxpayer funding levels necessary to produce a best chance success for one non-profit project?

Clearly the approach taken by these known eight sources, representing federal, provincial and municipal funding, has proven to be very problematic.

The second question that arises from the failure and sale of this building is: How could a company lose when receiving $41,000 per unit in taxpayers' grants, additional grants to full market rents paid by taxpayers, as well as non-profit taxation status?

The footnote is that the non-profit, Innovative Housing, sold the property to a company that converted this social housing project in Red Deer to condos under the excuse that they were refused a further tax break of $35,000. This social welfare non-profit housing difficulty is not isolated and is indicative of a need to refocus loan assurance efforts.

This project simply nudged out the private sector rental housing industry with social welfare policies seemingly prioritizing real estate acquisition and enjoyed eight different "free money" granting sources from taxpayers – and now somebody else is profiting from a $207,000 per unit selling price as of August 2007.

This housing project is a textbook example for immediate reform to our housing policies.

THE ROLE FOR NON-PROFIT HOUSING

Outside of the private sector rental housing industry, there is a necessary role for the non-profit, social welfare sector, but it should be for circumstances where the private rental industry cannot or will not provide units on a level playing field.

Because of the loss of the private sector and the free market imbalance, there is a misguided belief that the social welfare, non-profit industry will pick up the slack. It cannot! It cannot produce the numbers needed, does not have the economy of scale, and will not have the enormous government funding per unit it requests.

Unfettered, the social welfare, non-profit housing industry harms the ongoing private rental housing industry by unfairly competing in the same basic market of providing simple affordable rental homes.

Charities and non-profits should not compete with the private sector for the same market because non-profits generally receive heavy subsidies and are tax-free. How can the taxpaying private sector rental industry possibly compete?

Non-profit home providers now want up to $200,000 per unit in grants while they receive near market average rents from the municipal tax base. Since they don't pay taxes, they put further pressure on municipalities trying to provide regular taxpayer services.

One non-profit received 100 per cent of land and building costs from government grants. Non-profits often pay no property taxes, rent for 30 per cent of income and receive top-up from government to market-average rent.

No building cost, plus no property tax, plus full market rent, equals a non-profit that is profitable.

There is a role for the non-profit, social welfare sector in the area of abject poverty, but it should be administered by a government agency that is separate from the private sector industry.

THE ROLE FOR GOVERNMENT ASSISTED CO-OP OR CONDO HOUSING OWNERSHIP

There is a role for affordable co-op or condo housing but they are specialized areas outside of the private sector rental housing industry where ownership is a more selective "want" than a basic "need."

There certainly are anomalies in Canada where there are rental market offerings of private ownership and rental opportunities of condo-owned properties.

However, there are more short-term investors capturing holding costs in heated market places until they are ready to sell. These cannot be considered as credibly affordable in a stable rental housing environment.

There also are other co-op models which are not non-profit projects, but are full market models, competing without subsidy, such as in New York City. It is this model that has free-market collective ownership of entire property, compared with the individual ownership of condo units that have collective ownership only of common area assets, as in Canada.

Removing the ambition to aspire to home ownership under a person's own means is a risk worthy of caution. Subsidizing home ownership with co-ops or condos comes with many more complications of client and group "wants" that many times have far exceeded basic "needs" and modest levels of construction.

Calls come to different levels of government to provide subsidies or assistance by cash or extended term low interest loans or both for projects that many times exceed the level of basic need that should be the hallmark of taxpayer subsidized entry-level housing.

There are many that have difficulty believing that taxpayer funding should be going beyond basic needs of assistance, even if the project owners have the additional funds themselves, ostensibly for these extras. They might not require the maximum level of subsidy if they used these additional funds for building core needs.

For every good model there have been many poor models. Options for Homes, a Toronto Co-op group, was one of the best and has created thousands of very affordable, modestly subsidized ownership units.

Appropriately developed co-op or condo housing, not exceeding entry level basic norms, would certainly generate pride of ownership, with the benefit of community building within the complex. Yet, assisted ownership, either co-op or condo, should be given secondary priority to affordable entry-level rental housing.

FROM RENT TO HOME OWNERSHIP

Society has not shifted from rental accommodations to home ownership. A worrying trend is that the shortage of rental housing is encouraging the rental industry to artificially inflate rental rates and this is driving people to purchase.

Home ownership has always been the Canadian dream. Moving into a mortgage and ownership will always be the goal for most people.

Society has not magically changed. Singles and young families still start out their independent lives as renters. Their first goal is to consolidate their lives and relationships and gain some financial footing. Most want to take their time before committing to home ownership and want to be fully prepared for potential setbacks.

Senior home owners on modest old age pensions also may want to downsize to modest rental units and use the capital from the sale of their homes for financial security and retirement living.

Even with a zero down payment, a potential homeowner still has to qualify for a mortgage. Those with modest incomes, a steady job and good credit rating may still find home ownership out of reach if they have other debts such as a credit card payments or car loans.

Even in a normalized market, many people are hesitant to risk all. Why risk an employment downturn that will leave them vulnerable in order to keep mortgage payments?

A much safer option is to rent for a few more years until home ownership becomes a more comfortable option.

Condo ownership comes with other liabilities and risks such as inflated condo fees and condo board management.

Too many people today are dependent on low interest rates and are jumping into home ownership. Many will abandon their homes in an economic downturn simply because they have no equity or lack the financial means to support their mortgages.

RENTAL HOUSING A BUSINESS CHALLENGE, A LEARNING SKILL

A Business Challenge

The concern for clean, safe and affordable housing should not require that taxpayer funds be used to build housing to high-end accommodation standards. The private sector should be encouraged to provide the best rental housing possible within a particular price range. Health and safety standards must not be compromised, but instead, reviewed regularly to ensure that they continue to match the reasonable expectations of Canadian society.

Many owners of rental properties are individuals of relatively modest means, as opposed to corporations with deep pockets. Property owners are entrepreneurs who generally look for long term profits such as when the mortgage on the apartment buildings is paid off. Not surprisingly, for profit and non-profit owners have similar interests.

The non-profit social industry of late has been skewing the free market in affordable rental housing. It commonly builds to excess to attract the best tenants, has grants to pay down construction costs and pays very little or no mortgage, taxes, business, property or income. It rents at just below market to be highly competitive and then asks for government to pay any portion of the rent the tenant cannot.

Small wonder the private sector rental industry no longer builds entry-level rental housing – it cannot compete. Social services regularly spend taxpayer dollars for upscale social living. Private industry cannot compete with the deep pockets of government at taxpayers' expense.

Private sector rental property owners are no more driven by greed than owners of retail stores, since market forces affect individual landlords as significantly as other corporations. Monthly mortgage and tax costs generally eat up most of the rent, while ongoing repairs and maintenance must be provided.

A reserve fund must also be provided for instances such as when a property remains vacant, a tenant breaks the tenancy agreement, or a disaster occurs.

Landlords are also affected with interruptions in cash flow due to tenant disputes. A tenant can literally occupy a rental unit, refuse to pay rent, and dare a landlord to force the tenant to move, knowing full well that it will cost the landlord many thousands of dollars to force the departure.

The tenant also knows the damage that can be done to a landlord's reputation by complaining to neighborhood advocacy groups, rather than having the matter addressed through the landlord-tenant mediation services.

The media and some politicians participate shamelessly in these bouts, which serve to discourage honest business development.

Private sector rental property owners face many challenges. Rental prices are mostly set by mortgage, tax and maintenance costs. Usual free market circumstances fluctuate according to supply and demand and as people choose to enter the housing market.

Consequently, high rental costs are often reflective of low vacancy rates and can serve as "catch up" periods when rents more readily approximate costs. During these periods the drive for ownership renews with vigor as high rents cause people to opt for home ownership.

Increased demand exacerbates housing prices and causes a spike in new construction. New housing supply eventually drives rental costs down unless sustained by an artificial economy.

In Alberta, multiple barriers by governments of all levels, that are prohibiting new private sector rental property development, are artificially driving higher rents and higher prices.

The marketplace for the private sector rental industry is neither free nor fair. Governments have caused the artificial imbalance and governments must repair the imbalance or subsidize the imbalance.

When addressing the issue of housing affordability, it is important to focus on "housing needs," rather than "housing wants."

It is natural to want the better things in life, however when dealing with rental housing affordability, housing need is a much more important factor to be considered.

Assistance should be intended for those who are unable to financially provide for their own means in the short term.

The problem of housing affordability is not new, yet requires innovative solutions.

Problems with housing affordability affect people of all ages and backgrounds and do not simply affect people who are starting out in life or who have fallen on hard times.

It is important to recognize that tax reform measures would be a net benefit to both landlords and tenants alike, and would generate better housing affordability.

A Need For Teaching Life Skills At School

Courses such as "personal life management" which focus on real issues such as landlord / tenant relationships, should be implemented in our schools.

Given the high propensity for students to rent, such a course would be an invaluable tool for these individuals as they set out on their career paths.

In an ideal world, the landlord / tenant relationship would be one of mutual respect and co-operation. Unfortunately, we do not live in an ideal world, and the landlord / tenant relationship is often one of strained relations, where rules and regulations often appear to favor tenants over landlords, instead of being neutral.

Tenants' rights are often pitted against the responsibilities of landlords as opposed to balancing the rights and responsibilities of both parties.

These relationships are further exacerbated by a perennial tug of war over damage deposits and even the mere expectations of a tug a war looming.

One method to help improve relations between landlords and tenants would be to recognize that there is a real need for damage deposit bonds to be held by third parties to ensure trust and respect in the landlord / tenant relationship.

Most tenants do not wish to be paying rent all their lives and would prefer to own property if economic circumstances permit. The tenant's state is not one that has been imposed by a cabal of property owners, but is rather a function of natural economic progression.

Some prospective tenants do not understand that they are applying for the 'privilege' of being considered as a tenant of a particular property. The hopeful tenant should prepare to meet the landlord the same way a person would apply for employment or buy a car that needs financing. Employers, landlords and bankers are seeking similar qualities given that these circumstances are all matters of privilege rather than right.

One responsibility of a tenant is to recognize that the treatment of rented accommodation should be no different from the treatment accorded to any items personally borrowed. One approaches borrowed items as if they were one’s own.

A property owner does not typically punch holes in walls, burn carpets or permit damage from pets in his own home or in a friend’s home when visiting.

One reason for the property owner's concern is the time, cost and effort to effect even minor repairs. This time equates to dollars, since the repairs are typically contracted out.

The property owners’ own time also has a monetary value. Even a three inch hole can easily cost $100 in contractor repair costs, plus repainting costs.

Prospective tenants must be aware that while the landlord has a responsibility to provide clean and well-maintained accommodation, day-to-day responsibilities for care rest with the tenant.

Such responsibilities include the costs of repairing broken windows, screens and doors, as well as clearing plugged plumbing - if caused by the tenant.

Also, when a house is rented, the day-to-day upkeep of the exterior property, including mowing the lawn, shoveling clean the walks of snow, cleaning up animal droppings and refuse as well as trimming brush is the tenant's responsibility.

Breakage is not normal wear and tear! Furthermore, tickets given to the landlord for the negligence of the tenant are quite properly passed on to the tenant for payment.

On the other hand, the landlord has a responsibility to act immediately to address major equipment or building failure.

The issues are many, but are important to discuss.

Most everyone leaving school will be a tenant and should know the rules and their rights. Most, unfortunately, do not, and feel victimized or under-empowered, when in reality the school system failed to educate them with basic life skills.

It is to be hoped that instruction in the true nature of the landlord / tenant relationship, including care and maintenance responsibilities for rented property, will be a matter of compulsory learning in all school life skills courses.

FEDERAL GOVERNMENT HISTORICAL INVOLVEMENT IN HOUSING

The federal government has a long history of involvement with housing issues in Canada. Federal control of housing policy diminished over the years as the provinces, municipalities and non-profit groups assumed a greater jurisdictional responsibility.

The fact that Canada needs a cohesive national policy for the vital rental housing industry has been confused between the essential industry and the product supplied, which is affordable rental accommodation.

- 1935 – The Dominion Housing Act was the first national housing legislation and provided $20 million in loans and helped finance 4,900 units over a three-year period.
- 1937 – The Federal Home Improvement Plan subsidized the interest rates on loans for housing rehabilitation to 66,900 homes.
- 1938 – The National Housing Act provided assistance to home buyers and helped improve the conditions for low income housing.
- 1946 – The Wartime Housing Corporation transformed into the Central Mortgage and Housing Corporation (CMHC), later the Canada Mortgage and Housing Corporation (CMHC).
- 1949 – The National Housing Act was amended to provide joint federal-provincial programs to construct

public housing.

- 1954 – The federal government began insuring loans for mortgages and the Bank Act was amended to allow it.
- 1964 – The federal government introduced legislation that permitted loan transfers of up to 90 per cent of the cost to the provinces of constructing provincially owned public housing.
- 1969 – The federal Rent Supplement Program provided low income households in private rental accommodation with the difference between market rent and 25 per cent of income.
- 1973 – Amendments were made to the National Housing Act to provide financial assistance for new home buying, loans for cooperative housing, and low interest loans for municipal and private non-profit housing. Examples include: Multiple Unit Residential Building Deductions, the Assisted Rental Program, and the Canada Rental Supply Plan.
- 1986 – The federal government introduced its New Housing Directions, which directed social housing assistance to households that were in the most need and devolved the delivery of housing programs to the provinces and territories.
- 1990 – The federal government cut the amount of new money promised for low-cost housing by $51 million over two years.
- 1992 – The federal government eliminated the federal co-operative housing program. This program had built nearly 60,000 homes for low and moderate income Canadians.

• 1993 – The federal government announced plans to not increase funding for social housing beyond the current $2 billion per year.

• 1994 – Provinces and territories had sole responsibility for housing policy.

As the federal government ceded its responsibility for social welfare housing development over to the provinces, there has been a corresponding dramatic decrease in the private sector rental housing industry.

To address the current shortage in affordable rental housing, the federal government, under an Industry Canada mandate, must re-engage in this important national issue.

MINISTRY OF INDUSTRY MANDATE

As stated on the Government of Canada, Industry Canada website:

"Industry Canada's mandate is to help make Canadians more productive and competitive in the knowledge-based economy, thus improving the standard of living and quality of life in Canada."

Specifically, Industry Canada seeks to:

- Provide more and better-paying jobs for Canadians;
- Support stronger business growth through continued improvements in productivity and innovation performance;
- Give consumers, businesses and investors confidence that the marketplace is fair, efficient and competitive; and
- Ensure a more sustainable economic, environmental and social future for Canadians.

This mandate is relevant to the current crisis in Canada's private sector rental housing industry. Today, the lack of affordable rental housing is having a detrimental impact on the livelihoods of many low income working families.

Potential workers are discouraged from pursuing employment opportunities due to the high costs of rent and the lack of affordable, private sector rental units.

This is ultimately having a negative impact upon the economy and is harming productivity and overall competitiveness.

Despite the momentous changes to the global economy over the years, labor continues to be one of the driving forces behind economic success.

Inability to house or support the work force will only have a negative affect on economic growth.

It is for these reasons that a new authority for private sector rental housing should be created under Industry Canada.

The lack of affordable housing is now at the crisis stage. This is evident in many communities throughout Alberta and becoming more common in other provinces and territories.

Efforts by the non-profit sector to address this crisis have thus far been inadequate and will likely not be sufficient to solve the current situation.

To address this national challenge, a new approach and perspective is required.

The private sector rental industry must be encouraged to return to being an active stakeholder in the rental housing industry and this should be supported under the designation of a new, federal private sector rental industry authority in association with Industry Canada.

The lack of affordable rental housing is particularly challenging to the well being of working class Canadians in all rapidly growing urban communities and is impinging upon industrial progress.

It is an issue that Industry Canada must begin to consider more seriously if it wishes to help improve industrial growth in the years ahead.

CONSERVATIVE PARTY OF CANADA POLICY DECLARATION

According to the Conservative Party of Canada policy on Housing and Homelessness, dated 18 March 2005:

i) The Conservative Party believes that all Canadians should have a reasonable opportunity to own their own home and to have access to safe and affordable housing.

ii) A Conservative Government would develop a policy of broad based tax relief, income support programs and tax incentives, to make home ownership and rental accommodation more attainable and accessible.

iii) A Conservative Government will address homelessness by assisting in the provision of shelters and by recognizing, addressing and seeking solutions to contributing factors of homelessness.

iv) A Conservative Government will partner and link with the respective jurisdictions of provincial, territorial and municipal governments, business initiatives and the work of social agencies and non-profit organizations in dealing with housing, homelessness, social infrastructure and related support services, such as skills development, literacy, substance abuse treatment, health and social development.

v) A Conservative Government will work with the provinces and municipalities to develop framework agreements that help low income city dwellers access affordable housing, through the use of tax incentives for private sector builders. The Conservative Party recognizes that most renters live in urban centers, and that the pressures of population growth as well as certain economic factors have made it increasingly difficult for many renters to find housing.

This policy clearly suggests assistance for all Canadians to access safe and affordable housing by linking with jurisdictions and business initiatives to develop framework agreements and tax incentives for private sector builders, particularly to eliminate the pressures of the economy in urban centers for renters.

THE FEDERAL CONSERVATIVE GOVERNMENT'S ROLE

The crisis is a government-induced problem that governments must help to solve. The federal government must get involved by engaging the resources of Industry Canada to focus particularly on solutions to the commercial, private sector rental housing industry stagnation. Initiatives such as taxation considerations for normalizing business investments would be a helpful beginning.

The federal government has great resources that must be put into action and applied to seek solutions to the rental industry crisis. The private sector rental industry, the provinces, and the municipalities, all want Ottawa to be much more engaged.

A healthy, vibrant private sector rental housing industry is a vital economic concern to Canada's economy and prosperity.

Governments must move beyond social shelter centric thinking and temporary, stop-gap solutions, and engage Industry Canada to incorporate new approaches that will address the affordable rental housing industry crisis in the long term.

The Federal Government Must Designate A New Authority

The federal government must designate a new authority for the private sector rental housing industry under Industry Canada.

Completely separate from social housing and homeless shelter agendas, this authority will be responsible to the Prime Minister to develop with, and for, the provinces a permanent, national, private sector rental housing industry reporting mechanism that will also give guidance to other ministries on areas of mutual concern.

This authority should link the private sector rental industry with the federal government and provincial jurisdictions in order to assess the barriers to commercial rental housing and implement a national, commercial rental housing industry-reporting mechanism.

This authority would be separate from the commingling influences of customary social housing and homeless shelter agendas and would provide guidance to other ministries on areas of mutual concern.

Can Nationally Accepted Research Tools of Canada Mortgage And Housing Corporation (CMHC) Help

Industry Canada would engage CMHC to provide federal research assistance and data to prepare a comprehensive historical illustration of key multi-unit rental housing indicators for key centres across Canada. Some, but certainly not all of the indicators would be:

Development costs
Building Permit Fees
Infrastructure
Land Costs
Land Dedications
Developer Application Processing Fees
Waste Removal
Special Fees
GST/PST
Property Taxes
Other

CMHC would be engaged by Industry Canada to provide annual research and information on the important indicators that affect the multi-unit rental-housing industry. This would help provide a more in-depth and thorough understanding of the various elements that can undermine the rental housing industry and will better equip provinces to deal with affordable housing shortages in an effective and results oriented manner.

Some work has been done in the past, for example, a simplistic but informative research report by CMHC in December 2002. However, a far more in-depth and analytical research report is necessary to give us a thorough understanding of the historical cause-and-effect of the decline of the rental industry.

According to the 2002 Report, there is little doubt, as has been concluded in many analysis, that the culmination of levies, fees, charges and taxes has a substantial impact on the economic viability of new rental development.

CMHC has the capabilities, but needs the direction from Industry Canada to help develop the necessary compilation and dissemination of data that is essential to understand what has gone awry structurally with the multi-unit rental housing industry.

It is important to do our homework before we even try to engage the rental building industry.

It is hard to understand why, when the inhibitors to rental development have been well known for so many years, and as CMHC stated in 2002, no work has been done to help resolve the problem up until this point.

Once again, this substantiates the need to have a separate, independent approach to the private sector rental housing industry under Industry Canada.

There does not appear to be enough direction by, and for, CMHC perhaps due to its many other converging and distracting responsibilities combined with its confusion over constitutional housing policy jurisdiction.

Housing, as a social welfare responsibility, should be provincial. Rental housing, a commercially available nation-wide industrial necessity, should be a national priority.

Increased Dialogue With Provinces

With the data well explained, and a federal authority tasked for the purpose under Industry Canada, the provinces will welcome the help.

While the ultimate decision about how to put their resources to the issue is up to provincial and municipal governments, Industry Canada collaboration will help to make plans successful. Providing the statistics for evaluation of the situation in order to act on solutions is every bit as essential as is the involvement of the rental industry itself.

There must be increased dialogue between the federal government and provincial and industry stakeholders to address the need for a viable, commercial rental housing industry. Federal authorities can, and must, do more to help tackle this important and longstanding issue. By devising new and innovative ways to tackle the affordable housing crisis, governments will be safeguarding the interests of Canada and its citizens in the years ahead.

Engage Industry In Discussion

With statistical knowledge, private sector multi-unit rental housing industry and investment development industry representatives must be approached for consultation and further input.

Even potential viable industry participants may well be reticent on change because of their present business plans in an over heated market. They may not welcome more normalized competition at this time.

This is not business negativity towards action; rather it is natural for business to be hesitant unless they can see the government is serious about real, long term sustainable change.

All good businesses want long-term sustainability in normalized markets. These businesses are out there waiting for a sensible, workable plan to proceed.

An Industry Canada Agenda

Due to a lack of competitive affordability of rental housing, potential employment seekers are discouraged from exploring opportunities in other communities. This is having a negative impact upon local economies and local businesses and is harming the overall productivity and competitiveness of the Canadian economy.

Given the affects of the rental housing shortage on Canada's workers and economy, this important issue must be considered under the mandate of Industry Canada.

Industry Canada is concerned with improving the overall productivity and competitiveness of Canadians and therefore should be important stakeholder in resolving this crisis.

To encourage the supply of competitive, more affordable rental housing, a new authority for the private sector rental housing industry should be created under Industry Canada.

This authority should link the private sector rental industry with the federal government and provincial jurisdictions in order to assess the barriers to private sector rental housing and implement a national rental housing reporting mechanism.

This authority would be separate from the influences of the social housing and homeless shelter agendas that CMHC's primary focus has been, but which confused and detracted from the private sector industry's concerns for far too long.

The private sector rental housing industry is critical to Canada's prosperity and economic well-being. While the current shortage is not being adequately resolved, Canadian economic development and renters will suffer.

It is for this reason that the private sector must be encouraged to return to the rental housing industry, and why Industry Canada can play a greater role in resolving this important crisis.

More Favorable Rental Industry Environment

The rental housing industry has stagnated, while condominium development is on the rise. However the millions who cannot afford to move to ownership will be without a place that they can afford to live in and will be seeking social welfare housing assistance for relief.

To establish a more level playing field, governments must provide a more favorable taxation and financing environment for rental housing production.

• GST input should be examined for possible deductions for rental housing industry developers and investors.

• Taxes and fees should be examined for possible reductions on new rental housing construction.

• Capital gains should be examined for possibility of allowing the roll over on the sale and reinvestment of real estate assets.

• Rental housing owners and operators should be examined for possible granting of small business deductions.

• Tax credit incentives should be examined to stimulate investment in affordable housing.

The ultimate goal of these measures will be an increased interest by the private sector in supplying rental housing by bringing more equality of financial taxation benefits with other competitive commercial industries.

Reduce Development Costs

Government policy should also aim to reduce the high costs of development for rental housing, brought on by excessive taxation, dedications, fees and the excessive cost of land.

Measures must be implemented to encourage private sector rental housing by designating more, mostly readily available land, specifically for rental housing development.

Most cities, Edmonton included, have large expanses of available land.

Whether they want to designate it and release it in a timely manner for rental housing is seemingly the primary impediment to the free market competition for rental housing.

What's On The Table For Discussion

Everything is on the table from reviewing old industrial business structures that worked, to new and innovative ideas that will encourage development and sustainability.

Possible investment vehicles that would encourage longer-term participation might include municipal and provincial investment participation as well as private sector participation. The goal would be to counterbalance the multi-layered taxation and disincentives directed at the private sector rental housing industry that has discouraged and halted development in the rental industry.

While conventionally approved construction techniques can serve the purpose well, other options should be explored, such as modular, factory produced homes that meet all codes and regulations.

For example, the 13-story Holiday Inn at Yorkdale in Toronto is modular and has stood well as an upscale hotel for more than 30 years.

CONCLUSION

Hopefully all parties, provincial, municipal and federal, will have a better understanding of industry impediments and will be able to react to the various circumstances in a much more conclusive fashion. The solution will not be found with one simple stop-gap, but by a collective approach to remove as many barriers as possible.

In the current crisis in the affordability of rental housing, two points are abundantly clear.

First, the rental housing crisis is very real, particularly when 60-80 per cent of all renters in Canada have affordability problems and it is having an unnecessarily detrimental impact on Canada’s economic development, while the problem is not being properly addressed.

Second, while there is no "silver bullet" solution to Canada’s rental housing affordability crisis, there is one truth - more progress will be made by recognizing and encouraging the private sector rental industry as a vital industry by Industry Canada.

With these points in mind, I have tried to outline a strategy consistent with the realities of today, while taking into account the successes and failures of past approaches. In light of the current challenges, I believe that the time is now for broad ranging and sustainable solutions to the affordability of rental housing crisis.

The withdrawal of the private sector from the rental housing industry has been a contributing factor behind the current rental housing shortage and the artificially inflated rents.

Rapid industrialization and urbanization demand an ongoing supply of new rental housing units to meet Canada's escalating need and to normalize rental costs.

This cannot be accomplished under the auspices of the non-profit sector alone. There is a need for greater private sector involvement to meet the requirements of Canada's growing communities within a rapidly changing global marketplace.

Resolving the crisis in the affordability of private sector rental housing today cannot be accomplished without some federal involvement.

The federal government must once again become an active stakeholder in this critical industry, and must re-think its strategy and approach carefully in light of past failures. Federal initiatives should seek to encourage private sector involvement in the rental housing industry and a new approach for private sector rental housing should be explored thoroughly and then implemented under Industry Canada.

If we work together we can deal with the crisis. If we don't try to work together we will have failed the people who elected us.

For 35 years, I have been actively involved in the housing industry. I have built constructive relations with various stakeholders in the field and have experience with most forms of commercial and institutional properties, including high end and affordable multi-unit rental housing.

I have purchased over 30 pieces of property for rental investment and personal use over the years. My electrical systems manufacturing and distribution company, with offices at one time in Edmonton, Calgary, Vancouver, Saskatoon and Regina, that supplied systems to the multi-unit housing and professional building construction industry, received several Government of Canada development grants that I personally applied for and managed.

It is this housing, industrial, and governmental granting experience that I bring to the table when discussing the need for government action on the issue of affordable and sustainable rental housing.

I would like to thank those who have helped in creating this book.

SUMMARY

• New, private sector rental development has virtually ceased in Canada.

• Government assistance is needed now to re-start the conventional private sector housing development industry after years of discrimination and neglect.

• Discrimination against the private sector rental development and management industry must be recognized as a major impediment to development of new projects.

• Past ideas that worked and newer concepts such as P3's should be explored thoroughly.

• Government grants, capital inducements, possibly $50,000 per door, should be tied contractually to prevent property flipping, to be interest and payment free and forgiven after 15-20 years.

• Rental housing initiatives should provide good quality, economical, entry-level units, produced in quantity, to minimize cost and they should receive grants to financially leverage rents below market average.

• The free market entry-level rental equilibrium must not be further upset by excessive government grants for social projects that exceed entry level norms and compete unfairly in the same market as the private sector.

• Prohibitive taxation, fee, and development barriers must be ameliorated over time to permit a sustainable, private sector rental development industry to continue.

• Efforts must be employed to think outside of the social housing industry box to encourage the private sector to re-enter the rental housing market.

• An engaged private sector industry will develop attractively designed rental projects that fit in aesthetically with most multi-family rental development communities at a cost far less than many of the present non-profit housing projects providers. And they will pay property taxes.

• Current affordable housing funding efforts are poorly coordinated, excessive, and wasteful of taxpayers' money.

• Private industry will offer solutions to affordability particularly if availed of the assistance on a level playing field with non-profit grant recipients, and they will be part of the community's property taxation base to pay the grant dollars back in taxes.

• Struggling workers want affordable market rental homes not social welfare housing.

• Towns and cities need large numbers of affordable free-market rental housing units that contribute to the municipal tax base.

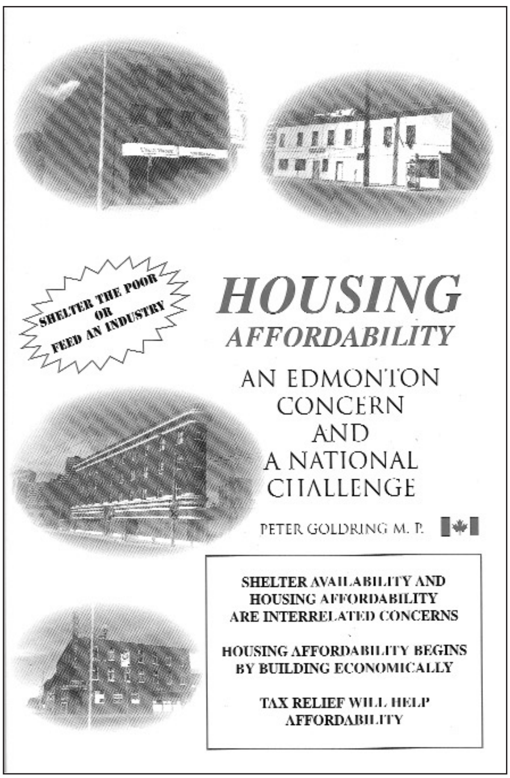
• The private sector rental development and management industry is important to our economy but has flat-lined for 20 years while all other industry in Alberta has boomed. We simply must analyze and find solutions, and need the help of the private sector rental housing development and management industry to spell out the barriers and to suggest your solutions.

• It's time to fix the problem.

BOOK REFERENCE

"Housing Affordability: An Edmonton Concern and a National Challenge," by Peter Goldring, highlights the great need for affordable housing.

This need has not abated, but rather has grown greatly, particularly in rapidly developing areas where the shortage is hampering full economic growth potential. If workers spend an exorbitant amount of income on housing, they are compromising other living costs and discretionary spending amounts and will decide when and where to move next.



Appendix: CMHC Research Highlights (2002)

Levies, Fees, Charges and Taxes on New Housing (2002)

Introduction

Government-imposed costs on new housing can be substantial. They have a direct effect on the total cost of housing and, therefore, on housing affordability.

This research examined the levies, fees, charges and taxes on the development and construction of common types of new housing in 30 municipalities. In addition to the single-detached and row housing covered in similar estimates prepared for 26 municipalities in 1996, the research includes condominium and rental apartments.

Property taxes on the new dwellings are also included in the research.

Estimates of the levies, fees, charges and taxes on a typical modest new single-detached house in each of the municipalities included in this analysis are presented in Exhibit 1. The estimates cover all three levels of government - municipal, provincial and federal. It should be noted that, unlike (provincial and federal) taxes, in most cases, the municipal levies, fees and charges relate to specific direct services.

Municipal Levies, Fees and Charges

Municipal governments have a number of levies, fees and charges which apply to new housing. These include:

• Infrastructure charges - these are mainly development (cost) charges (also called lot levies, development levies, off-site services fees, etc.); however, they also include smaller fees and charges such as water and sewer connection fees, and engineering fees for municipal approval and/or supervision of infrastructure work.

• Land dedications - the value of land required to be provided to municipalities for parkland.

• Development application and processing fees - subdivision application fees, development approvals fees, site plan approval fees, etc.

• Building permit fees - while most of the fees in this category are actually called "building permit fees," many municipalities also levy special fees for plumbing, electrical and mechanical work.

In municipalities with specific charges for installation of infrastructure external to the subdivision (such as, development (cost) charges, etc.) these are by far the largest of the municipal levies, fees and charges on new housing — in some cases, they exceed $20,000. Many municipalities do not have infrastructure charges; however, in these municipalities, developers are required to cover the cost of connecting to trunk services - which, in other jurisdictions, may be covered (in whole or in part) by the municipal infrastructure charges. This difference in approach creates difficulties in making comparisons among municipalities.

In most municipalities, developers are required to cover the cost of installing internal subdivision services. Among the municipalities included in this analysis, only Montreal and Laval install internal infrastructure services. While Montreal and Laval levy infrastructure charges to cover the cost of installation of internal subdivision services, for consistency, these charges are not included in the analysis (or in Exhibit 1).

Installing the infrastructure necessary for residential development is extremely expensive. Provincial legislation allows municipalities to recoup the costs they incur for the installation of infrastructure. The infrastructure charges generally reflect (all or some) of the estimated costs actually incurred by the municipalities - under provincial legislation, they cannot be used as revenue-generating tools.

While the development industry may question whether some of the costs are justified, the charges are typically based on estimates of the expenditures deemed to be required as a result of new development and must be used for that purpose.

The other municipal fees and charges on new housing (land dedications, development application and processing fees, and building permit fees) tend to be less than infrastructure charges.

In the municipalities covered in this analysis, total municipal levies, fees and charges for single-detached houses range from less than $1,000 to over $27,000 - see Exhibit 1. The weighted average across all municipalities, is over $12,400.

Goods and Services Tax

Prior to 1991, the federal government levied a sales tax on manufactured goods - the federal Manufacturers Sales Tax. It was replaced by the GST in January 1991. The GST applies to all new dwellings, though those priced less than $350,000 are eligible for a rebate of 36 per

Exhibit 1 Levies, Fees, Charges and Taxes / Single-Detached Houses, 2002

	Municipal Levies, Fees and Charges						Other Charges and Taxes					
Municipality	**Price**	**Infrastructure Charges***	**Land Dedications**	**Dev. Appl. Proc. Fees**	**Building Permit Fees**	**Total Municipal Charges**	**New Home Warranty Fees****	**Registry Fees/ Land Transfer Tax**	**Provincial Sales Tax**	**GST**	**TOTAL**	**Percent of Price**
St. John's	130,000	-	1,900	100	725	2,725	295	635	10,400	5,824	19,879	15.3%
Charlottetown	125,000	-	400	7	372	779	295	594	5,404	5,600	12,672	10.1%
Halifax	140,000	5,300	1,720	41	579	7,640	295	2,170	11,200	6,272	27,577	19.7%
Moncton	120,000	100	290	25	767	1,182	295	355	9,600	5,376	16,808	14.0%
Montréal	145,000	-	1,388	-	810	2,198	790	1,320	7,272	6,496	18,076	12.5%
Laval	155,000	-	1,160	53	384	1,597	790	1,420	7,773	6,944	18,524	12.0%
Longueuil	140,000	-	1,890	50	264	2,204	790	1,270	7,021	6,272	17,557	12.5%
Gatineau	135,000	-	1,350	50	314	1,714	790	1,220	6,770	6,048	16,542	12.3%
Québec City	110,000	-	750	11	264	1,025	790	970	5,517	4,928	13,230	12.0%
Toronto	285,000	5,543	4,363	274	2,458	12,638	540	2,820	5,867	12,768	34,633	12.2%
Mississauga	260,000	18,650	3,880	136	1,639	24,305	540	2,445	5,256	11,648	44,194	17.0%
Vaughan	275,000	21,657	3,555	301	1,766	27,279	540	2,670	5,519	12,320	48,327	17.6%
London	160,000	9,067	747	84	850	10,748	432	1,395	4,454	7,168	24,197	15.1%
Ottawa	230,000	19,473	1,476	230	1,281	22,460	486	2,095	5,565	10,304	40,910	17.8%
Sudbury	150,000	2,893	855	219	1,014	4,981	432	1,295	4,234	6,720	17,661	11.8%
Windsor	150,000	3,700	1,015	110	2,066	6,891	432	1,295	4,117	6,720	19,455	13.0%
Winnipeg	145,000	2,961	883	302	728	4,874	225	910	4,251	6,496	16,756	11.6%
Regina	135,000	6,601	1,090	164	500	8,355	318	171	2,922	6,048	17,813	13.2%
Saskatoon	145,000	7,923	1,220	56	573	9,772	327	171	2,965	6,496	19,731	13.6%
Calgary	175,000	3,959	2,964	413	1,021	8,356	235	72	-	7,840	16,503	9.4%
Edmonton	165,000	5,987	2,121	548	1,250	9,907	220	69	-	7,392	17,588	10.7%
Grande Prairie	130,000	2,560	2,044	253	939	5,795	190	62	-	5,824	11,871	9.1%
Burnaby	395,000	3,439	6,521	39	1,750	11,749	525	5,955	5,425	22,175	45,829	11.6%
Surrey	315,000	19,820	3,609	101	1,738	25,268	525	4,355	5,930	14,112	50,190	15.9%
Kelowna	210,000	8,863	2,290	131	1,041	12,326	525	2,255	4,452	9,408	28,966	13.8%
Prince George	160,000	3,412	1,067	184	686	5,349	625	1,655	4,072	7,168	18,869	11.8%
Saanich	255,000	10,014	3,762	110	1,593	15,479	525	3,155	4,827	11,424	35,409	13.9%
Whitehorse	150,000	2,500	-	25	613	3,138	-	155	-	6,720	10,013	6.7%
Yellowknife	165,000	170	-	9	926	1,105	-	165	-	7,392	8,662	5.2%
Weighted Average	**197,060**	**8,435**	**2,527**	**266**	**1,211**	**12,439**	**392**	**1,344**	**3,696**	**8,856**	**26,727**	**13.6%**

* Infrastructure charge policies vary among the municipalities (see text for details); this creates difficulties in comparing the effects of these charges on total development costs.
** New home warranty coverage is mandatory only in Quebec, Ontario and B.C. Warranty fees for the other provinces are provided for illustrative purposes only.

cent of the GST paid - effectively a rebate equivalent to 2.52 per cent of the price of the dwelling. With this rebate, the effective rate of GST on a new dwelling (priced less than $350,000) is 4.48 per cent.

For dwellings priced between $350,000 and $450,000, the amount of the rebate declines progressively, to nil for dwellings priced at $450,000 or more.

For rental dwellings, prior to 2000, there was no rebate - new privately-owned rental housing was subject to the full seven per cent GST on the sales price (if sold to another owner), or the fair market value (defined to be at least the cost of construction plus land, etc.) if the building was retained for the developer's own portfolio. In the 2000 Federal Budget, the same rebate (36 per cent of GST) as applies to ownership housing was extended to rental housing, so the effective rate of GST on rental housing is 4.48per cent.

Provincial Taxes and Charges

There are several types of provincial taxes and charges which apply to new housing:

- Provincial retail sales taxes - except for PEI, in all provinces east of the Ottawa River, these taxes have been harmonized with the GST;
- Land transfer taxes - some provinces have land transfer taxes;
- Land registration fees - all provinces and territories have fees to register properties; and
- Other charges - some provinces mandate warranty coverage for new homes and some have other charges

on new housing construction.

Provincial Sales Taxes

New housing development generates sales tax revenues for most provincial governments. There is no PST in Alberta or in the territories.

Prior to the introduction of the GST, and the harmonization of the PST with the GST in some provinces, the PST in each province applied to the building materials used in the construction of the dwellings. Now, the PST treatment of new housing varies significantly across the country:

• Three of the four Atlantic provinces (Newfoundland, Nova Scotia and New Brunswick) have fully harmonized their sales taxes with the GST - the Harmonized Sales Tax (HST) rate is 15 per cent (GST of seven per cent and PST of eight per cent). For most new housing in these provinces, there is no rebate of PST, so, effectively, the PST on new housing in these provinces is eight per cent of the value of the dwelling.

• Quebec has established a distinct sales tax system which involves a 7.5 per cent Quebec Sales Tax (QST) on top of the seven per cent GST. For new housing, the QST applies to the value of the dwelling plus GST (less the GST rebate). There is a rebate of 36 per cent of the QST for dwellings valued at up to $200,000 - effectively, the QST on new dwellings priced less than $200,000 is roughly five per cent of the price. The rebate is phased out for dwellings priced between $200,000 and $225,000.

• Five provinces (PEI, Ontario, Manitoba, Saskatchewan and B.C.) apply PST to the building materials used in construction. Though there are differences in the tax rates among these provinces (varying from a low of six per cent in Saskatchewan to a high of 10 per cent in PEI), the tax applies only to the building materials used in construction - with the exception of Manitoba, where the base for the PST has recently been extended to include the full value of the contract price of electrical, heating, ventilation and air conditioning, and plumbing contracts.

Other Provincially Mandated Costs

Some form of land transfer tax applies in most jurisdictions. All provinces also have a registration fee when property is sold. While registration fees are relatively minor, land transfer taxes in some jurisdictions can be substantial: for example 1.5 per cent of the price of a dwelling in Halifax, and one per cent of the first $200,000 and two per cent of the remainder in B.C.

Three provinces (Quebec, Ontario and B.C.) require that new homes be covered by warranty. In other provinces, warranty coverage is optional.

In B.C., new home builders must be registered with the Homeowner Protection Office (a crown agency). There is a levy of $750 per unit for new multi-unit buildings sold to owner-occupants in the coastal climate zone (consisting of the Lower Mainland and the bottom half of Vancouver Island).

Levies, Fees, Charges and Taxes on Rental Housing

As with the analysis of single-detached houses, there are substantial levies, fees, charges and taxes on the development of new rental housing. A review of the breakdown of these charges for modest new rental housing in various municipalities is presented in Exhibit 2.

There is little doubt, as has been concluded in many analysis, that the cumulation of levies, fees, charges and taxes has a substantial impact on the economic viability of new rental development.

The same levies, fees, charges and taxes apply to the development of new rental housing as apply to ownership housing:

• Municipal levies, fees and charges do not differentiate between rental and ownership dwellings - for any particular development, almost exactly the same scale of charges would apply whether the development was rental or ownership. However, in many municipalities, condominium developments face modest additional charges for condominium registration.

• The PST treatment of rental housing is the same as for ownership housing: eight per cent of the total value in the harmonized Atlantic provinces, 7.5 per cent of the value in Quebec (with the same rebate for rental housing as for ownership housing), and PST only on building materials (whether the project is rental or ownership) in the other provinces (except in Manitoba which applies PST to electrical and mechanical contracts as well).

• The GST is effectively 4.48 per cent of the value of rental projects - just as it is for most ownership dwellings. As noted, this is a relatively recent change: prior to 2000, the GST rebate did not apply to new rental housing.

Exhibit 2 Levies, Fees, Charges and Taxes. Modest Rental Apartments, 2002

		Municipal Levies, Fees and Charges					Other Charges and Taxes		
Municipality	**Development Cost**	**Infrastructure Charges***	**Land Dedications**	**Dev. Appl. Proc. Fees**	**Building Permit Fees**	**Provincial Sales Tax**	**GST**	**TOTAL**	**Percent of cost**
St. John's	71,000	-	800	13	607	5,680	3,181	10,280	14.5%
Charlottetown	52,000	-	400	-	180	2,260	2,330	5,170	9.9%
Halifax	66,000	1,500	650	-	311	5,280	2,957	10,697	16.2%
Moncton	54,000	3	700	1	420	4,320	2,419	7,863	14.6%
Montréal	84,000	-	850	-	579	4,213	3,763	9,405	11.2%
Laval	82,000	-	750	-	289	4,112	3,674	8,825	10.8%
Longueuil	75,000	-	650	-	219	3,761	3,360	7,990	10.7%
Gatineau	78,000	-	700	-	269	3,912	3,494	8,375	10.7%
Québec City	75,000	-	600	-	170	3,761	3,360	7,892	10.5%
Toronto	120,000	3,223	839	53	909	3,746	5,376	14,146	11.8%
Mississauga	105,000	9,781	3,700	57	708	3,331	4,704	22,280	21.2%
Vaughan	108,000	12,179	291	313	721	3,368	4,838	21,710	20.1%
London	92,500	4,933	453	33	299	2,934	4,144	12,796	13.8%
Ottawa	100,000	9,565	72	86	851	3,331	4,288	18,192	18.2%
Sudbury	97,000	1,823	309	30	887	3,343	4,346	10,737	11.1%
Windsor	94,500	2,000	425	25	961	3,138	4,234	10,783	11.4%
Winnipeg	83,500	428	366	-	629	2,805	3,580	7,808	9.4%
Regina	83,500	1,035	397	-	353	2,200	3,741	7,725	9.3%
Saskatoon	84,000	1,500	400	2	373	2,200	3,763	8,239	9.8%
Calgary	95,000	582	1,092	29	471	-	4,256	6,430	6.8%
Edmonton	90,000	1,407	759	79	599	-	4,032	6,875	7.6%
Vancouver	125,000	2,865	-	182	609	3,171	5,360	12,186	9.7%
Burnaby	120,000	1,912	2,870	225	749	3,171	5,145	14,074	11.7%
Surrey	100,000	8,194	-	98	707	2,814	4,480	16,292	16.3%
Saanich	98,500	4,333	508	12	888	2,942	4,413	13,096	13.3%
Average	**89,340**	**2,690**	**743**	**49**	**550**	**3,192**	**3,970**	**11,195**	**12.5%**

* Infrastructure charge policies vary among the municipalities (see text for details); this creates difficulties in comparing the effects of these charges on total development costs.

Property Taxes

Although this has not always been the case, in recent years, most Canadian jurisdictions have moved to a system of property taxation that is premised on market value assessment - for example, properties are generally assessed at some percentage of their estimated "market" value at some base period. Assessed values of properties are established by assessors who either are employees of the provincial government, or operate under guidelines established by provincial legislation.

For ownership dwellings (including condominium units), assessed values are generally based on the sale price of similar properties in the same general location. For rental properties, the assessment process is more complex - most jurisdictions utilize the "income approach", sometimes in combination with estimated costs. The income approach values a building in much the same way as a lender determines the lending value - through the application of capitalization rates (or gross income multipliers) based on income.

Property tax rates typically vary for different types of properties. Residential (especially ownership residential) dwellings usually have preferential tax rates compared to non-residential properties.

In many provinces, the tax rates for ownership dwellings and rental (often called "multi-residential") properties are the same. Exceptions are New Brunswick, Ontario and Saskatchewan. In these provinces, rental properties typically have much higher tax rates than ownership housing:

- In New Brunswick, the tax rate for rental housing is almost double the rate for ownership housing.

• In Toronto, property taxes on (existing) rental units are almost three times the property taxes for ownership units with the same assessed value. In order to encourage new rental production, the provincial government has allowed municipalities to establish a separate property tax class for new rental housing with a lower tax rate than for existing rental housing (for 35 years). Toronto has adopted the separate class - with the result that new rental buildings qualify for the (much lower) ownership rate.

• London, Ottawa, Sudbury and Windsor all tax rental properties significantly more than ownership properties with the same assessed value - from 75 per cent more (Sudbury) to 119 per cent more (Windsor). In Mississauga (51 per cent more) and Vaughan (21 per cent more), the differential is less. Of these municipalities, Ottawa and Vaughan have adopted the separate class for new rental buildings and have applied the ownership tax rate to the class.

• Regina and Saskatoon - both municipalities apply significantly higher taxes to rental properties than ownership properties with the same assessed value - 44 per cent more in the case of Regina and 70 per cent more in the case of Saskatoon.

In British Columbia and Manitoba, there are rebates of property taxes for owner-occupied dwellings - $400 in Manitoba and $470 in British Columbia. Therefore, in these provinces, while the advertised tax rates for ownership and rental housing are the same, the effective tax rate for rental housing is higher than for ownership housing because of the rebate.

The higher tax rates which apply to rental housing compared to ownership housing have been cited as a major factor behind the lack of new rental investment in many municipalities. The analysis here confirms that these differences are very significant in some cases.

Overall Conclusions and Changes Since 1996

The overall burden of levies, fees, charges and taxes (from all levels of government) on new housing is significant. The weighted average levies, fees, charges and taxes on a modest new single-detached house total $26,727 - 13.6 per cent of the $197,060 weighted average price.

The most significant change over the period since 1996, when a similar study was conducted, has been the harmonization of provincial sales taxes with the GST in Newfoundland, Nova Scotia and New Brunswick - this raised the PST on new housing in these provinces to eight per cent of the purchase price of a dwelling from less than half that amount in 1996.

There were also some changes in PST in other provinces. The rate of PST has increased in Quebec (from 6.5 per cent to 7.5 per cent) and British Columbia (from seven per cent to 7.5 per cent). Manitoba recently extended the coverage of PST to include the total value of some sub-contracts (rather than just materials). Saskatchewan has reduced its overall rate of PST to six per cent (from nine per cent in 1996).

Some municipalities (for example, Halifax and the

Greater Vancouver Regional District) have introduced infrastructure charges since 1996. Most municipalities have raised their various levies, fees and charges to reflect inflation.

In British Columbia, the Homeowner Protection Office has been established and there are new levies for multiple unit projects.

In most municipalities, infrastructure charges and other fees and charges have increased - most infrastructure charges are indexed to some measure of the increase in the cost of installing infrastructure.

The taxes collected by the federal and provincial governments (GST, PST and land transfer taxes) all generate increased revenues as house prices rise with inflation.

Comparisons with the past are complicated by a variety of factors, including the fact that the characteristics and prices of typical new houses change over time. Nonetheless, comparing the results of this analysis with a similar one in 1996 (which covered 26 municipalities), it appears that levies, fees, charges and taxes are increasing as a share of housing prices.

Exhibit 3 Levies, Fees, Charges and Taxes As Percent of House Price

		Weighted Average Price	Weighted Average Levies, Fees, Charges and Taxes	
			$	% of Price
2002	All Municipalities	197,060	26,727	13.6%
2002	26 Municipalities	195,193	26,694	13.7%
1996	26 Municipalities	153,089	20,740	13.5%

In 1996, the weighted average levies, fees, charges and taxes on a new single-detached house in the 26 municipalities included in a 1996 analysis was 13.5 per cent of the weighted average price (weightings based on 2002 starts). For the same 26 municipalities as were included in the 1996 analysis, the weighted average 2002 levies, fees, charges and taxes on a typical new house is estimated at 13.7 per cent of the weighted average price.

As illustrated in Exhibit 3, this is slightly different from the weighted average for 2002 presented in Exhibit 1 since fewer municipalities were covered in the 1996 analysis.

Footnotes

1. Sharon Chisholm, "Affordable Housing in Canada's Urban Communities: A Literature Review" Canada Mortgage and Housing Corporation (July 2003): 3
2. Tom Carter, "Current Practices for Procuring Affordable Housing: The Canadian Context" Housing Policy Debate 8, 3 (1997): 594.
3. Chisholm, 30.
4. Canada. Library of Parliament. The Shortage of Rental Housing in Canada. Prepared by Phillippe le Goff, Economics Division, (May 2002): 4
5. Steve Pomeroy, "Towards a Comprehensive Affordable Housing Strategy for Canada" Caledon Institute of Social Policy (October 2001):13.
6. Ibid.
7. Ibid. 14
8. Canada. Library of Parliament, 7.
9. Chisholm, 32.
10. Pomeroy, 6.
11. Carter, 625.
12. Page 72.
13. Chisholm, 32
14. Canada. Library of Parliament, 15
15. Canada. Library of Parliament, Appendix II