



# National Outlook

## President's Report

By John Dickie



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### Helpful Federal Action on Housing May Be Near

Over the last two months, CFAA-FCAPI has focussed its government relations on obtaining more favourable tax policies for the rental housing industry (in particular on restoring capital cost roll-over provisions), and on obtaining flexibility for the provinces in how they spend federal funds for housing. CFAA-FCAPI President John Dickie has met with various government officials to discuss federal tax policies, and federal funding for social housing and housing allowances.

### Tax Policies

Over the last 20 or 30 years, many negative federal tax changes have reduced private investment in rental housing. As a result of those changes, in the view of CFAA, the rental housing industry is not treated equitably.

In discussion with John Dickie, the policy advisor to Finance Minister Goodale and two bureaucrats from the Department of Finance stated that due to the lobbying of many industries, their biggest concern is equity in the treatment of different industries. CFAA-FCAPI argues that the rental housing industry is not treated equitably.

CFAA-FCAPI is seeking the support of the Minister of Labour and Housing, the Honourable Joe Fontana, to help us on tax reform because tax reform would promote the supply of rental housing.

In seeking better tax treatment for the rental housing industry, CFAA-FCAPI is working with its allies, including the Canadian Home Builders' Association ("CHBA"), and the Canadian Institute of Public and Private Real Estate Companies ("CIPREC").

### Social Housing

Unfair tax treatment has a negative impact on private investment in rental housing. Lack of private investment leads to increased public investment. Currently, public investment tends to be directed largely to the building of social housing, which is extremely costly.

A particularly glaring example of the cost of social housing was discussed at the Canadian Apartment Investment Conference held in Toronto on Sep-

tember 29, 2004. A 24-unit project supported by Let's Build, the City of Toronto's affordable housing program, cost \$191,667 per unit.

As CHBA has stated that, "Experience with Federal housing supply programs over the past 55 years has already confirmed that it is physically and financially impossible to 'build one's way out' of a backlog of need using supply programs".

In addition, by competing with the private sector, public spending crowds out much of the private investment that would still take place. Even if an additional new rental unit is built by government, the new unit may crowd out an existing unit by making rehabilitation worth less than it costs, so that an existing unit is demolished.

As reported in a 1999 article in the Journal of Real Estate Finance and Economics, U.S. economist Michael Murray found that in many market environments new subsidized production crowds out private supply one-for-one.

### Housing Allowances

CFAA-FCAPI supports federal funding for housing allowances, which are much more cost-effective, can be spread among far more needy residents, provide maximum choice, allow residents to stay where they are, and directly and immediately address affordability problems.

Like CFAA-FCAPI, CHBA argues that housing allowances "would be far quicker and more effective in giving low-income households what they really need: extra money based on their shelter costs, so they can secure adequate accommodation of their own choosing".

On October 5, John Dickie met with Housing Minister Fontana, his Parliamentary Assistant, Judy Longfield, and the CMHC Vice-President of Policy and Planning, Doug Stewart. Based on the meeting with Minister Fontana, CFAA-FCAPI believes the Federal Government will consider a greater use of demand side solutions through the development of broadly based housing allowances as part of a comprehensive tool kit of affordable housing policies.

We have pointed out that in Ontario (and most other provinces) units are available at all price points, and that vacancies are at historic highs. Property owners/managers have many units which they would be happy to provide for rent

(Continued on page 3)

## Reassessment Debate: Property owners anxious

By Kevin O'Connor, Regina Leader Post

Some Regina residents were expressing anxiety...about reassessment proposals that could shift the property tax burden to seniors, inner-city residents and lower income people. The lively discussion took place at F. W. Johnson Collegiate in the Glencairn area. It's the second of three meetings the city is organizing to discuss reassessment changes for 2005.

Under the proposed reassessment, many homeowners who pay less than \$2,000 in taxes will see their taxes go up while many others in the above-\$2,000 category will see their taxes go down. For example, homeowners in Ward 4, in southeast Regina, could be in for an average five per cent tax cut, about \$191 per home.

But residents of Ward 3, which includes the Cathedral area and neighbouring territory, could face an average 11.2 per cent property tax increase - about \$168 per homeowner. City of Regina director of finance Doug Fisher told the crowd the proposals are driven by market factors, specifically changes in house prices between 1998 and 2002. The market for older houses in the inner city has been hot

in recent years, while values for some of the larger, newer, homes in the suburban areas have been increasing at a slower rate. Some people who have already received notices about their taxes going up gave City Manager Bob Linner a piece of their mind.

"Why is my house depreciating but you keep picking my pockets," said one woman. "My taxes have gone up every year."

Jeff, who moved to Saskatchewan about a year ago, said he can't understand how his taxes are much higher than they used to be, even though his Regina house is worth a lot less than his previous house. Maria Dolinski, a senior, said she lives on a fixed income in an inner city neighbourhood and can't understand the tax hike she's being asked to pay.

"Two hundred dollars for us is a little too much," she said. "I don't know who to talk to. Everything goes up but my pension."

Several comments concerned a base tax, a proposal that would require every residential property owner in Regina to pay at least \$200 or \$300 in city taxes. City

administrators are recommending there be no base tax. Fisher said in a year when houses in some older neighbourhoods are already looking at a substantial tax hike, a base tax would be "a double whammy."

One of the changes the city has been looking it is to tax apartments the same rate as single family homes and condominiums. Currently apartments are taxed at a higher rate. Roger Petry, wondered how much of the approximately \$5 million in tax savings would go to private landlords if the rate on apartments was reduced. "It was a massive windfall for the landlords and it didn't reduce rents at all," he said after the meeting.

The next assessment meeting is at Marion McVeety School, Turgeon Crescent.

**Under the proposed reassessment, many homeowners who pay less than \$2,000 in taxes will see their taxes go up while many others...above \$2,00...will see their taxes go down.**

## Time to find real solutions to the issue of homelessness

By Peter Ladner, Business in Vancouver, November 9-15, 2004; issue 785

With Safe Streets legislation and Trespass Act changes in place, it's time to flip the coin and focus on the causes of homelessness, an issue that is top of mind for so many businesses and citizens.

First, a note from the **Vancouver Police Department's** survey of the results of its crackdown on the open drug trade in the Downtown Eastside. Among the findings was the discovery that it was "disorder" as much as crime that unsettles residents and makes them feel unsafe. Unpredictable, potentially dangerous behaviour - whether or not it truly is dangerous - spooks people, especially vulnerable people, tourists and customers.

In fact, as crime statistics presented at the recent **Vancouver Board of Trade** breakfast seminar on crime show, actual (reported) crime in Greater Vancouver is falling in some key categories. Yes, we're still leading other Canadian cities our size in property crimes per capita, we're second only to Winnipeg in overall per capita crime rate, and we're still the bank robbery capital of Canada. But auto theft is down

in the City of Vancouver, as are property crimes (slightly) and theft from autos.

What isn't down is general disorder, which brings us back to homelessness. Vancouver City recently tabled an extensive study of the situation ([www.city.vancouver.bc.ca/ctyclerk/cclerk/20041102/rr1-HAP.pdf](http://www.city.vancouver.bc.ca/ctyclerk/cclerk/20041102/rr1-HAP.pdf)), with 86 recommendations on how best to "eliminate the human suffering and waste of potential lives; reduce the drain on public and private supports; and avoid the negative effects on communities, businesses and civil society."

The solutions boiled down to improving incomes, housing and support services.

**Solutions boiled down to improving incomes, housing and support services by: changing the welfare rules, increasing "supportive" housing, and increasing mental health and addiction services.**

More specifically, the report laid out three priority actions for public discussion: changing the welfare rules, increasing "supportive" housing, and increasing mental health and addiction services.

To get an idea of what's causing homelessness, test your familiarity with these facts compiled by city staff. Some of the data is not that rigorous, but you'll get the picture.

- Number of homeless people in Vancouver in 2001: 300 - 600
- In 2004: 500 - 1,200
- Percentage of homeless who are aboriginal: 25 per cent
- Percentage of overall population that is aboriginal: two per cent
- Number of people in Greater Vancouver considered at risk of homelessness (paying more than half their income for shelter): 125,000
- The cost of a bed at St. Paul's psychiatric ward: \$500 per day
- Cost of a bed in a provincial jail: \$155 - \$200 per day

(Continued on page 4)

## President's Report Cont'd

(Continued from page 1)

supplement programs. Such a demand side solution would help many more residents much faster (and at much lower cost) than measures to subsidize new construction.

Individual property owners/managers from our member associations have also met with Minister Fontana making the same points as CFAA-FCAPI.

Along with CHBA CEO, John Kenward, John Dickie met with Doug Stewart on October 18 to follow up on the discussion with Minister Fontana on housing allowances. A

further key meeting is scheduled for December 3, 2004.

CFAA-FCAPI will focus its efforts on promoting a housing allowance program which is practical and of the greatest benefit to low-income residents and the rental housing providers who serve their housing needs, as well as the rest of the rental housing market.

The Federation of Canadian Municipalities (FCM) has just issued a report that recommends many of the same solutions that CFAA-FCAPI advocates. Please see the article on page 5.

## Your Action Needed

CFAA-FCAPI will be asking its member associations, and their members, to help in promoting good sense in Canada's housing policies. We need you to encourage the Federal government to act in these areas when we call on you. Please help us, in order to help yourself as a property owner/manager, and to help residents and taxpayers see the benefits of sound housing policies. Help us to help yourself.

*For recommendations of the Federation of Canadian Municipalities (FCM) that support CFAA-FCAPI goals, see page 5.*

## Regina: Property Tax Meetings Planned

By Chanda Mitchell, SRHIA Executive Officer

The great debate about property tax policies in Regina is expected to heat up over the next several weeks and come to a boil on November 25th. That's because the executive committee of city council recently approved a plan that calls for a special meeting of city council to be held November 25th to make a decision based on tax policy issues related to the reassessment of property values, that will be implemented next year. At least four public meetings are planned at various locations across the city before November 25th to explain reassessment and get comments from the public.

Several matters need to be addressed as the city wants to implement a base property tax. Such a tax would save money for owners of more expensive homes but require owners of less expensive homes to carry a somewhat greater proportion of the property tax burden than at present.

Another key issue is whether multi-family residences such as apartments should continue to pay a higher property tax rate than single-family homes. Information released by the city on Friday, November 5th, indicates the assessed value of homes in newer suburban areas of the city have generally

increased by a smaller amount in recent years than smaller homes in older areas of the city.

In addition to holding public meetings the city will be sending out letters and brochures to all property owners, explaining reassessment. The letters will provide each homeowner with specific information about the implications of reassessment for their home.

**At least four public meetings are planned...to explain reassessment and get comments from the public.**

## Fiscal Issues Surrounding Manitoba's Current Rent Control System

A summary for discussion written by: Avrom Charach, BA, CGA

Director of Finance and Administration - Kay Four Properties Inc.

Vice President - Professional Property Managers' Association



governments

### Introduction:

Personal knowledge of our properties reiterates to PPMA members what outside research in other jurisdictions has confirmed. There is a reduction in the values of our and the realty tax base because the government's annual allowable Guideline increase is consistently lower than cost increases faced by owners. This Guideline, which is decided in camera by the Minister, dictates the maximum rent increase allowed without filing a formal Application for Rent Increase Above the Guideline (hereafter referred to as an Application). The number of Applications has grown to the point where it is the norm, not the exception that properties see an Application on a regular basis. Rehabilitation numbers have also ballooned. Rehabilitations are when a landlord shows significant improvements are being made to every unit in a building. After a long process, which includes at least two government hearings with tenants and landlord invited, the property is exempted from rent controls

for a period of two to five years.

### Data

Chart A (page 6) shows the rental universe is contracting and a large percentage of the universe is receiving permission to raise rent by more than the Guideline in any given year.

### Reduced Provincial and Federal Taxation and Investment

Imagine a scenario where the rent Guideline was equal to CPI and where one half of every dollar of increased rent became profit that was taxed at Manitoba's high tax rate (46.4%). The majority of suites in Manitoba are 1BR and 2BR with the average rent for an apartment being approximately \$600 in 2003. CPI typically exceeds the Guideline by 1%. Making the Guideline equal to CPI translates to \$4.0 million in increased rental revenue per year. This becomes \$1.86 million in additional income tax revenues per year, approximately half of which becomes provin-

(Continued on page 6)

### Executive Summary:

Rent controls are an ineffective fiscal policy. They

- reduce the value of rental real estate in the province.
- are a disincentive to the development and reinvestment in rental properties.
- shift the burden of realty and income taxes from renters and owners to other members of society.
- impede the growth of the economy.
- reduce the amount of income taxes received by the Federal and Provincial

## Coinamatic Earns ISO 9001:2000

**Mississauga, ON – October, 2004** - Coinamatic, Canada's largest multi-housing laundry equipment operator serving over 1.7 million Canadians announced that it has earned ISO 9001:2000 registration from BSI, Inc., the world's leading quality management systems registrar.

"Coinamatic is committed to providing the highest levels of service excellence – reliable, repeatable, and predictable performance for our Clients and their tenants" stated Richard Adamson, Coinamatic's President and CEO. "This commitment to ISO 9001 demonstrates our focus on quality, world-class performance, and continuously monitoring our business operations to ensure that we deliver on the promises we make to our clients, customers, employees and suppliers."

Coinamatic began working towards registration September of 2003. As part of the ISO 9001:2000 registration process, BSI performed on-site audits; examined Coinamatic's documented procedures and audited its overall operations for effectiveness and customer focus. To ensure continued compliance with the ISO 9001:2000 Standard, BSI will periodically conduct surveillance audits of Coinamatic's business operations.



Don Watt

"Registration provides our clients and our customers with the confidence that Coinamatic's quality systems meet the strict international ISO 9001:2000 certification standards," said Don Watt, Senior Vice President. "Coinamatic will leverage its quality

management system to continually improve its operations and services."

The ISO 9001:2000 standard is an internationally recognized quality management system standard. To be registered to the standard, companies must implement a Quality Management System (QMS) that details critical company processes and procedures necessary to meet client and customer expectations.

### About BSI, Inc.

BSI is the world's leading quality management systems registrar. Founded in

**Registration provides our clients and our customers with the confidence that Coinamatic's quality systems meet the strict international ISO 9001:2000 certification standards.**

1901, BSI has issued more than 40,000 registrations to clients in over 100 countries. Numerous "Fortune 100" companies chose BSI as their preferred ISO 9000, QS-9000, ISO 14000, or TickIT, Registrar. BSI handles registrations in virtually every industrial and commercial sector, automotive, aerospace, chemical and allied process, IT/software, and service.

BSI is headquartered in Reston, Virginia, with nine offices in the U.S., four in Canada, and two in Mexico. It was the world's first national standards body and a founding member of the International



Organization for Standardization (ISO). BSI facilitated and published the first commercial standards to address quality management systems, environmental management systems, occupational health and safety management systems, project management and information security management.

### About Coinamatic

Coinamatic Canada Inc. is a national consumer services company specializing in vended laundry, parking and smart card systems. Coinamatic has been providing superior amenities to apartment buildings, condominiums, colleges, universities, social housing, and commercial facilities for over 56 years. The Company's SmartCity® smart card platform is a multi-application, "load anywhere – spend anywhere" stored value micropayment card supported by: universal 'cash to card' and 'debit/credit to card' reload technologies; access control; vending; parking; transit; and loyalty technology.

Coinamatic is a privately owned Canadian company with headquarters in Mississauga, Ontario and branch locations in Vancouver, Edmonton, Calgary, Winnipeg, Regina, Cambridge, London, Windsor, Mississauga, Ottawa, Quebec City, Montreal and Halifax.

### For further information please contact:

www.coinamatic.com and www.smartcity-parksmart.com  
Steve Dentinger  
National Director, Technology & Quality  
Coinamatic Canada Inc.  
sdentinger@coinamatic.com  
Toll Free: 1-800-361-2646

## Homelessness Cont'd

(Continued from page 2)

- Cost of providing support services to a resident of a single-room occupancy hotel: \$20 per day
- Cost of a supported independent living program (private apartments with rent subsidies and outreach workers): \$21 - 28/day
- Cost of support services in social housing: \$32 - 38/day
- Annual cost of providing services and temporary shelter for a homeless person: \$40,000
- Annual cost of providing housing for a homeless person: \$28,000

- Annual cost of housing 800 out of Vancouver's estimated 1,000 homeless people in supported housing: \$6 million - \$11 million
- Number of homeless people suffering from addiction, mental illness or both: two-thirds
- Annual cost of treating the homeless people who are mentally ill, using individualized intensive care (Assertive Community Treatment model): \$5 million
- Percentage of homeless people on welfare in 2001: 85 per cent
- Percentage of homeless people on welfare in early 2004: 50 per cent

- Percentage of homeless people on welfare in late 2004: 25 per cent
- Cost of making welfare available to today's street homeless population: \$5 million
- Percentage of homeless people with jobs in 2001: 13 per cent
- Time between applying for welfare and receiving it: three weeks
- Age of her child when a single mother now becomes ineligible for welfare: three years old
- Number of families in B.C. who lost all or part of their child care subsidy due to recent changes in welfare rules: 10,000

(Continued on page 5)

## FCM Recommendations Support CFAA-FCAPI Goals

Over the last two months, CFAA-FCAPI President John Dickie has met with various government officials to discuss federal tax policies, and federal funding for social housing and housing allowances. John also met with Steve Pomeroy, a well known housing consultant, who wrote the recent update report on housing policy for the Federation of Canadian Municipalities (FCM).

The FCM report, *“Moving Forward: Refining the FCM Recommendations for a National Affordable Housing Strategy (October 2004)”*, includes the following recommendations that support CFAA-FCAPI positions:

1. Directly address affordability problems by addressing deficiencies in the shelter components of provincial income assistance programs.
2. Directly address affordability problems

by creating a new shelter allowance program for working poor renters.

3. Maximize the use of, and investment by, the private sector through reform of the tax treatment of rental investment.

4. Expand the supply of affordable housing by encouraging construction of single room occupancy (SRO) units to meet the housing needs of low income urban singles.

5. Expand the supply of affordable housing by making refinements to the Federal/Provincial/Territorial (FPT) Affordable Housing Program to change to larger per unit subsidies in order to target rents to the income levels of the working poor.

6. Facilitate the preservation of existing affordable housing through increased grants for rehabilitation of existing private and social housing units.

Support from other associations, especially

those like the FCM, is an important tool for advancing CFAA-FCAPI arguments. CFAA-FCAPI will be writing a response to FCM to welcome the positive recommendations. Property Owners/Managers can certainly use the FCM report as support for arguments that you or CFAA-FCAPI advances. You can obtain a copy of the report at [www.fcm.ca/newfcm/Java/housing.pdf](http://www.fcm.ca/newfcm/Java/housing.pdf)

For a description of the other, very promising, developments on housing and tax reforms see the article *“Helpful Federal Action on Housing May be Near”* on page 1.

**Support from other associations, especially those like the FCM, is an important tool for advancing CFAA-FCAPI arguments.**

## Homelessness Cont'd

*(Continued from page 4)*

- Marginal tax rate on income earned by welfare recipients: 100 per cent
- Year of most recent increase to welfare support rates: 1991
- Year of most recent increase in welfare rent allowances: 1989
- Maximum shelter allowance for single welfare recipients: \$325
- Percentage of single-room occupancy hotel rooms renting for \$325 or less in 1992: 72 per cent

- In 2003: 27 per cent
- Maximum rent allowed for low-income suites subsidized by federal Residential

**It's now time to put as much energy into turning around those numbers as we've spent promoting Safe Streets.**

- Rehabilitation Assistance Program: \$462
- Number of households on social housing waiting lists in Lower Mainland: 10,000

- Number of supportive housing units needed to house the homeless, shelter users, mental health clients, people with addictions, people with HIV/AIDS and people suffering brain injuries: 3,200

It's now time to put as much energy into turning around those numbers as we've spent promoting Safe Streets. The solutions are pretty obvious.

*Peter Ladner is a Vancouver city councillor and vice-president, Business in Vancouver Media Group, [pladner@biv.com](mailto:pladner@biv.com). His column appears weekly.*

## Ontario Update

By Vince Brescia, The Federation of Rental-housing Providers of Ontario

The provincial government has finished its consultations on new rent controls and security of tenure legislation. The government is currently in the process of finalizing its direction following these consultations. All indications are that there will be a variety of changes made to the legislation governing the industry, the majority of which will be negative from the industry's perspective.

Rent controls will be tightened in some fashion, although the exact form of this tightening has not been finalized. The annual guideline is expected to be changed from a longstanding formula, to CPI, which will mean that it is generally lower on

average than it would be if the existing formula were to stand. The NDP concepts of “costs no longer borne” will be brought back, which will allow tenants to apply for rent reductions if utility costs go down. Also, the NDP concept of orders prohibiting rent increases (OPRIs) will be

**All indications are that there will be a variety of changes made to the legislation governing the industry, the majority of which will be negative from the industry's perspective.**

resurrected, which will allow tenants to apply for a rent freeze if there is a work order on a property. The current lengthy eviction process (12 to 17 weeks currently) will also be lengthened by another five days.

All of this is happening at a time when vacancy rates are at all time highs in many markets, which has many industry members concerned that their rents will get locked in at the bottom of the market.

The government is also considering a large scale electricity sub-metering initiative, which would put in motion a plan to sub-meter all apartments in the province. It is early in those discussions, and FRPO is currently working with the government in its deliberations of this potential initiative.

## Albertans Reminded to Protect Themselves Against Identity Theft

The following information was provided by Alberta Government Services

**Albertans are encouraged to take steps to minimize their risk of becoming a victim of identity theft.**

Identity theft, one of the fastest growing crimes in Canada, occurs when someone's personal information is used without his or her knowledge or consent to commit a crime, such as fraud or theft. Once thieves steal personal information they create stolen identities to conduct spending sprees, open new bank accounts, divert mail, apply for loans, credit cards, and social benefits, **rent apartments**, and even commit more serious crimes and, if arrested, use their new identity.

"We are a leader in North America in implementing a new drivers licence program to protect Albertans against the threat of identity theft and fraud and we'll continue to work closely with law enforcement, security agencies and other governments to minimize these risks," said David Coutts, Minister of Alberta Government Services. "But Albertans must take the initiative and protect themselves and their own personal information against these type of crimes."

It is important to be careful with what documents or information is provided and

to whom, especially if the information is on a birth certificate, driver's licence or Social Insurance Number card. These documents are known as "main identity documents" and can be used to produce fraudulent identification and to gain access to additional personal and financial information.

Albertans can reduce the risk of identity theft by shredding financial statements and charge receipts, cutting up expired and unused credit cards, and when asked, inquire why certain personal information is needed and how it will be used. Individuals who keep financial or personal information on their computer should protect it by using a password and a firewall program to stop anyone from gaining access.

Consumers should look for these signs if they suspect their identity may have been stolen:

- 1 Bills and statements don't arrive when they are supposed to. They may have been stolen from the mailbox or someone may have changed the mailing address.
- 2 Collection agencies or creditors call for an account you don't have or that has unknown charges. Someone may have opened a new account in your name, or

added charges to an account without your knowledge or permission.

3 Financial account statements show withdrawals or transfers you didn't make.

4 A creditor calls to say you've been approved or denied credit that you haven't applied for. Or, you get credit card statements for accounts you don't have.

5 An application for credit is turned down for reasons that do not match your understanding of your financial position.

For more information, an **Identity Theft tip sheet** to provide consumers with information to protect themselves is available at: <http://www3.gov.ab.ca/gs/information/publications/tipsheets/index.cfm>

**Reduce the risk of identity theft by shredding financial statements and charge receipts, cutting up expired and unused credit cards...inquire why and how personal information is needed and will be used.**

Year	Total units (Winnipeg only)	Units with Above Guideline Approval	Units Removed from Rent Control due to Building Rehabilitation**	Units affected as a Percentage of Rental universe ***
1998	54,924	Not available	Not available	Not calculable
1999	54,749	7,102	51	13%
2000	54,621	7,614	10	14%
2001	54,572	23,284	105	43%
2002	54,419	15,168	800	29%
2003	54,360 *	18,856	1,894	38%
2004	Not Available	18,127	785	Not Calculable
<b>Total</b>			<b>3,645</b>	

Source: Information on units affected by Applications to the Residential Tenancies Branch (RTB) are provided by the RTB

\* Dianne Himbeault of CMHC indicated that an adjustment in classification was made to 1,002 apartment units in 2003. CMHC moved from the public to the private rental universe making their reported total 55,362. I have adjusted this figure down to 54,360 so it is directly comparable to the standard used from 1998-2002.

\*\*Units applied for and in process. Historically the majority of these units have been approved in the year of application with the remainder approved in the following year.

\*\*\* This percentage is slightly off. There is no readily available figure for the total number of apartment units outside of Winnipeg. This figure also does not take into account the number of Rehabilitation units that are exempt in anything but the first of the 2-5 years allowed.

## Fiscal Issues Cont'd

(Continued from page 3)

cial revenue. This compounds over time such that one can see the provincial government has foregone approximately \$10 million in tax revenues over the past ten years alone.

A more realistic view, one that has been borne out in every economic study of the relaxation or removal of rent controls is that investment in real estate and maintenance will increase by 20% or more. That translates into hundreds of job and millions of dollars of GST and PST as well as a more modest increase in direct income taxes from property owners. Overall, the impact is in the (tens of) millions of dollars per year. Two studies that bear this out are The Manhattan Institute's Civic Report #36 and FRPO's discussion paper "Existing Rent Controls are Working"

### **Value of multi-family residential Real Estate and its impact on the City**

Even with the large numbers of Applications being granted, rental properties are losing value based on the income approach. Less than 1/2 of the rental units are receiving Above Guideline Increases each year. As a result municipal governments lose hundreds of thousands of dollars of tax base per year. The most recent Winnipeg civic re-assessment is proof of this fact. Homes increased by an average of 23%, apartments by an average of 12.65%. In a 1996 study for Manitoba's Frontier Center For

## Room for Rent: Outlook for Canada's rental housing market

This is a summary of the TD Economics report dated October 20, 2004. Provided by Beata Caranci, Economist, TD Financial Group.

In 2003, rental apartment vacancy rates jumped through the roof, putting a swift end to the rapid rent increases seen in the 1980s and 1990s. The irresistible lure of homeownership under historically low interest rates appears to have been the catalyst in this turn of events, further aided by a pick-up in supply of rental units after more than a decade-long drought. In particular, a booming condominium market not only provided a relatively cheap source of ownership for would-be renters, but it also generated a flood of new rental supply that has siphoned demand away from traditional apartment units, especially in the high end of the rent range. Interestingly, of the two impacts, a Toronto study by CMHC found that owner occupied condos had a more dampening impact on the rental market with buyers vacating their existing rental suites. Nevertheless, the popularity of condo rentals is clear. Vacancy rates in the primary rental market are estimated to have risen to a lofty 4-to-5 per cent in Toronto this year, but those for condos in the secondary market have been nearly cut in half since last year to 0.9 per cent.

As interest rates rise to a more neutral level of 3.5 to 4% over the next twelve months, the cost advantage of owning versus renting will fade. Likewise, the deterioration in affordability will squeeze some potential buyers out of the market and swing the momentum back towards the

rental market. However, since interest rates will still be at moderate levels relative to history and inflation, we don't believe the shift back to renting will be dramatic enough to allow for a full-fledged recovery until 2006. By that time, some of the heightened competition from the secondary market (i.e. condo) will have also eased. In the meantime, some of Canada's largest rental markets will see vacancy hit new highs in 2005.

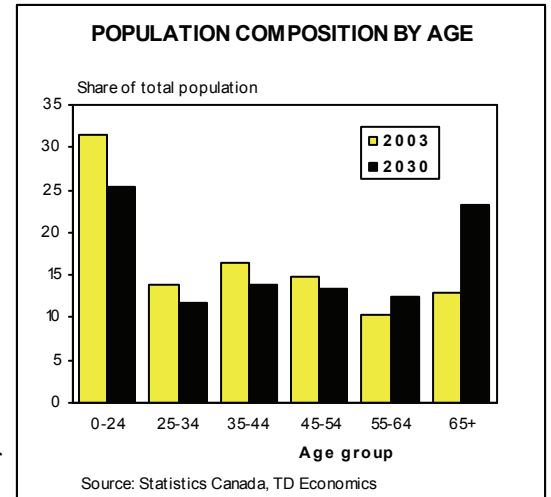
### Longer term challenges

Once rental investors leap over this near-term supply hurdle, the next challenge (and opportunity) will be to adapt to the changing face of the rental market. A dramatic demographic shift is underway, and investors cannot ignore the importance of immigrants in the rental demand equation. By our estimates, growth in the number of renter households formed between now and 2026 will be cut in half, with immigrants encompassing the primary source of this demand.

The number of young adults – a key feeder of rental demand – will decline outright over the next twenty years and this impact will be compounded if the recent sociological phenomenon of children living at home longer with their parents turns out to be more than a passing fad. Recent statistics show that many young adults are bypassing the rental stage all together. Between 1996 and 2001, homeownership rates in Canada rose to 65.8 per cent from 63.6 per cent, marking the largest gain for any five-year period dating back to 1971. More to the point, there was an especially pronounced increase in homeownership for those below the age of 30.

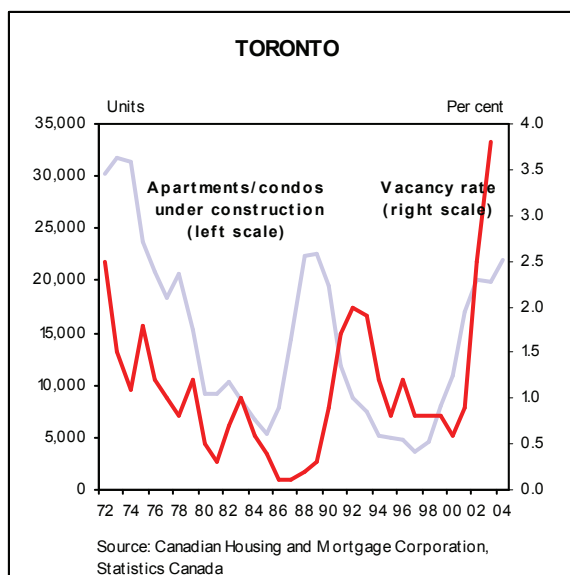
Traditionally, it has been thought that a surge in the older population will take up much of the slack in rental demand created by a declining younger generation. The 75 plus age group will soon become the fastest growing segment of the population and history shows that about 20 per cent of these individuals will gravitate towards rental accommodations. However, recent patterns indicate that the proportion of renters in this older age group has tapered off. This generation is living longer and healthier that

ever before, and therefore, showing less inclination to shift from family homes to rental accommodations. If this pattern continues, the rental market may be confronted with less demand than originally thought.



Immigrants provide the greatest opportunity to fill the rental gap. Immigrants will drive all of Canada's population growth by 2020 and three-quarters of new immigrants initially rent their accommodations. This will provide solid underpinning for continued rental demand, but also accelerate the urbanization process since the bulk of new immigrants settle in Toronto (46%), Vancouver (15%) and Montreal (13%). However, since recent immigrants have been faring much worse economically than both Canadian-born workers and earlier generations of immigrants, demand may be hard-pressed to move beyond the "affordable" range of housing.

There have been some poor policy decisions on the part of government that could worsen rental conditions for new immigrants down the road. Although supply has increased for the broader rental market, that for the lower end of the rent range has actually been receding. The policy landscape over the last several decades has not been favourable to rental investment with Federal tax reforms making the tax treatment of rental properties less attractive for investors alongside declining federal and provincial government spending on housing, provincial downloading of responsibilities to municipalities, a tightening in CMHC's mortgage underwriting practices for rental

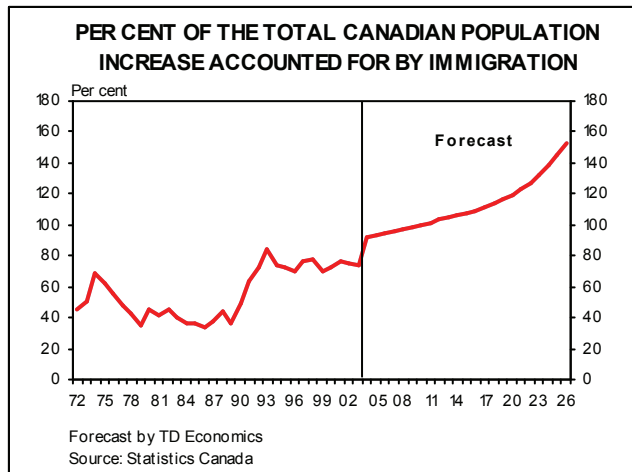


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## Room for Rent Cont'd

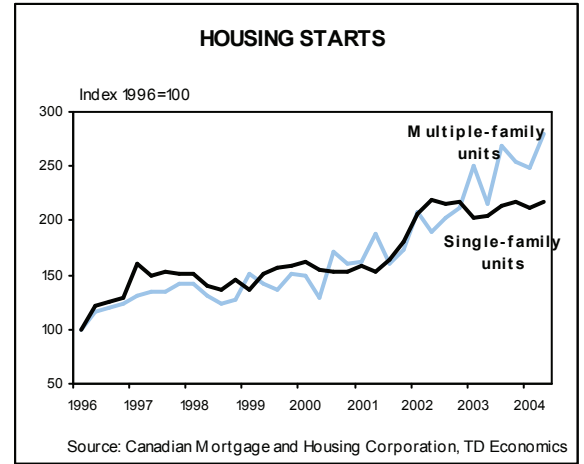
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properties, and the existence of rent controls in a number of provinces. The news isn't all bad, however, as there have been some notable attempts to promote affordable housing, such as a bilateral agreement between Federal, Provincial and Territorial Ministers that gave birth to a five-year \$680 million framework in 2001. But given Canada's ageing rental stock, renters are at



risk of facing less choice and perhaps higher costs down the road if governments throw up too many development roadblocks.

All told, apartment rental investors will continue to wade through rough waters over the next 12 to 18 months, but national vacancy rates are bound to return to a balanced market of 2 to 2.5% in the years that follow, as higher interest rates erode home affordability and as the impact from the recent construction boom in condominiums diminishes. Nevertheless, rental investors should be prepared to accept lower rates of return going forward in comparison to the double-digit gains experienced in past years, with this being the case across all rental investment classes, not just residential. Canada, and global markets in general, have entered an



age of low inflation, which does not necessarily support the double digit returns of yesteryears.

For the full report in PDF format - including all charts and tables please visit [www.td.com/economics](http://www.td.com/economics) and review the October 20<sup>th</sup> document. Or contact:

Beata Caranci  
Economist  
TD Financial Group

## Fiscal Issues Cont'd

Public Policy, Bob Hansen showed that \$673 of the average single-family homeowner's property tax bill in Winnipeg could be attributed to reductions in the value of multi-family dwellings due to rent control. This year we see the tax burden shifting further towards homeowners.

### Additional Bureaucratic Costs

The Winnipeg Free Press reported that the RTB had a \$4 million budget in 2001. Much of this budget is invested in the collection and processing of rent control related paperwork. Legislation mandates the RTB to collect data, enter and verify the rent of every rental unit in the province. Each Rehabilitation and Application (for Increase) takes staff time and can cost thousands of dollars to review. This is doubly true if the RTB's decision is appealed to the Residential Tenancies Commission whose staff again review the application and then bring in a panel of three government appointees who are each paid hundreds of dollars to sit at an appeal hearing. The number of Applications used to average 100 per year affecting 7,000 units. Now it is normal for triple the number of applications per year affecting more than 30% of units per year. The RTB has reported that the average allowed increase from an Application exceeds 4% and that approximately 70% of rent controlled apartment

units underwent at least one Application since 2000. Add to this the thousands of units, which are currently exempt due to Rehabilitation. There is no question that the system has an acceptable process of review for exceptions. The problem is that the exception has become the rule. Simply relaxing the regulations to the point where only complaints would require the submission of paperwork could save hundreds of thousands of dollars.

Clayton Research Associates released data in September 2004 showing that the government of Ontario stands to face increased costs and lost tax revenues totalling \$560.8 million a year if full rent controls are put back in place. A Manitoba study would

likely find Manitoba's current cost to be in the tens of millions of dollars.

### Lost development and lost interest in the city

CMHC figures show that our neighbours, Saskatchewan and Ontario have seen rapid expansion in new construction of multi-family residential rental properties in the past five years while Manitoba's new construction is not keeping pace with losses of rental properties. Winnipeg saw NO new apartment construction between 1985 and 2002 and less than 500 new units built in each of 2003 and 2004. Regina and Saskatoon have each seen more than 600 new units in 2004. The combined population of these two cities is approximately 70% of Winnipeg's population yet they have built more rental units in each city in the past year alone. The average cost of a new suite is \$107,250. Imagine the boon to the economy if 1,000 or more new rental units were constructed in Manitoba per year. Hundreds of millions of dollars of investment and the economic multipliers from this are being foregone in Manitoba in favour of development in other provinces. The current economic rent for new concrete construction exceeds market rents by more than \$350/

**In a 1996 study, Bob Hansen showed that \$673 of the average single-family homeowner's property tax bill could be attributed to reductions in value of Multi-family dwellings due to rent control.**

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## Coinamatic mérite la certification ISO 9001 2000

Coinamatic, le plus grand distributeur canadien de équipement de buanderie du secteur des immeubles résidentiels desservant plus de 1,7 million de Canadiens, a annoncé que la société BSI, Inc., le plus important registraire au monde de systèmes de gestion de la qualité, lui avait accordé la certification ISO 9001 2000.

« Coinamatic s'engage à fournir les niveaux les plus élevés d'excellence du service, c'est-à-dire un rendement fiable, répétitif et prévisible pour ses clients et leurs locataires, a déclaré Richard Adamson, président et chef de la direction de Coinamatic. Cet engagement envers la certification ISO 9001 témoigne de l'importance que nous accordons à la qualité, à un rendement de premier ordre et à la surveillance constante de nos opérations commerciales afin de nous assurer que nous respectons les promesses faites à nos clients, usagers, employés et fournisseurs. »

Coinamatic a entrepris ses premières démarches pour obtenir la certification en septembre 2003. Dans le cadre de son processus de certification ISO 9001 2000, la société BSI a effectué des vérifications sur place, examiné les marches à suivre documentées de Coinamatic et vérifié l'ensemble de ses opérations sur le plan de l'efficacité et de la stratégie vis-à-vis de la clientèle. Elle effectuera des vérifications de contrôle périodiques des opérations de Coinamatic pour s'assurer de sa conformité soutenue à la norme ISO 9001 2000.

« Cette certification confirme à nos clients et à nos usagers que les systèmes de contrôle de la qualité de Coinamatic satisfont aux normes strictes de la certification internationale ISO 9001 2000, d'ajouter Don Watt, premier vice-président.

Coinamatic va miser sur son système de gestion de la qualité pour améliorer constamment ses opérations et ses services.

»

La norme ISO 9001 2000 est une norme sur les systèmes de gestion de la qualité reconnue internationalement. Pour s'y conformer, les entreprises doivent mettre en application un système de gestion de la qualité (SGQ) qui décrit en détail les processus et les procédures essentiels au respect des attentes des clients et des usagers.

### À propos de BSI, Inc.

BSI est le plus important registraire au monde des systèmes de gestion de la qualité. Fondée en 1901, la société BSI a remis plus de 40 000 certifications à des clients de plus de 100 pays différents. Beaucoup d'entreprises « Fortune 100 » ont retenu les services de BSI comme registraire de premier choix pour les normes ISO 9000, QS-9000, ISO 14000 ou TickIT. BSI offre ses services de certification à pratiquement tous les secteurs industriels et commerciaux, notamment de l'automobile, de l'aérospatiale, des produits chimiques et des procédés connexes, de la TI/logiciel et des services.

BSI, dont le siège social est situé à Reston, en Virginie, possède neuf bureaux aux États-Unis, quatre au Canada et deux au Mexique. Elle a été le premier organisme national de normalisation au monde et membre fondateur de l'Organisation internationale de normalisation (ISO). BSI a contribué à la rédaction et à la publication des premières normes commerciales sur les systèmes de gestion de la qualité, de l'environnement, de la

santé et de la sécurité au travail, ainsi que sur la gestion de projet et la gestion de la sécurité de l'information.

### À propos de Coinamatic

Coinamatic Canada Inc. est une société nationale de services aux consommateurs qui se spécialise dans les services de buanderie et de gestion de stationnement à pièces de monnaie et à carte à puce. Elle offre des services de qualité supérieure aux immeubles résidentiels, immeubles en copropriété, collèges, universités, immeubles de logement social et établissements commerciaux depuis plus de 56 ans. La plateforme de la carte à puce SmartCity<sup>MD</sup> de Coinamatic est une carte de micropaiement à valeur stockée et à multi-applications, rechargeable et utilisable n'importe où, et qui fonctionne sous les technologies universelles de recharge par argent comptant et par carte de débit ou de crédit, et la technologie de contrôle d'accès, de distribution automatique, de gestion de stationnement, de transport et de fidélisation.

Coinamatic est une société canadienne d'intérêt privé dont le siège social est situé à Mississauga, en Ontario, et qui possède des succursales à Vancouver, Edmonton, Calgary, Winnipeg, Regina, Cambridge, London, Windsor, Mississauga, Ottawa, Québec, Montréal et Halifax.

### Pour plus d'information, suivez:

[www.coinamatic.com](http://www.coinamatic.com) and  
[www.smartcity-parksmart.com](http://www.smartcity-parksmart.com)  
Steve Dentinger  
National Director, Technology & Quality  
Coinamatic Canada Inc.  
[sdentinger@coinamatic.com](mailto:sdentinger@coinamatic.com)  
Toll Free: 1-800-361-2646

## Fiscal Issues Cont'd

month. Only by allowing the current rental stock to be repaired/renewed and rents to increase will encourage developers to build new, quality rental stock.

### Conclusion

There are very real reasons that Rent Control is an issue, which the Fiscal Policy Issues

Committee should review. The perfunctory review above shows the severe negative impact that rent controls in their current form have on the Civic, Provincial, and Federal Government. You also see some of the impact on private homeowners. The Province and municipalities all stand to gain (hundreds of) millions of dollars by making positive changes to rent controls.

To view the full topic paper please visit [www.pppmamanitoba.com](http://www.pppmamanitoba.com) or contact:

Avrom Charach  
Director of Finance and Administration  
Kay Four Properties  
PH: 204-339-0461  
FX: 204-339-0461  
[avromc@shaw.ca](mailto:avromc@shaw.ca)

CANADIAN FEDERATION OF APARTMENT ASSOCIATIONS

FÉDÉRATION CANADIENNE DES ASSOCIATIONS DE PROPRIÉTAIRES



Box 39, Grp 8, RR 2  
Dugald, MB  
R0E 0K0  
PH/FX: 204-444-4832  
E-mail: [cfaa@mts.net](mailto:cfaa@mts.net)  
Web: [www.cfaa-fcapi.org](http://www.cfaa-fcapi.org)