



**Canadian
Federation of
Apartment
Associations**

**Fédération
Canadienne Des
Associations
De Propriétaires
Immobiliers**



August 2006

National Outlook

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President's Update—Report on CFAA Conference and Goals

By John Dickie, President, CFAA-FCAPI



At CFAA's Annual Conference and AGM in June of this year, the CFAA Board reviewed CFAA's priorities for 2006-2007. Due to the current federal political environment, the CFAA Board has decided to re-orient CFAA's efforts toward the various tax issues facing landlords (see page 2 for more information).

As well, CFAA will still promote a national housing allowance program (see page 4 for more information).

In conjunction with CFAA's internal conference, CFAA and the Eastern Ontario Landlord Organization held a Housing Conference to promote housing allowances. 67 people attended, including Lisa MacLeod, MPP for Nepean-Carleton. Both Conferences were a great success and the CFAA Board decided that it wants another Housing Conference in June 2007.

The CFAA Board also expressed its approval of the work Dickie & Lyman LLP has done for CFAA, and renewed the President's contract with an increase in services to be pro-

(Continued on page 8)

Compte rendu du président - Le point sur la conférence et les objectifs de la FCAPI

de John Dickie, président, FCAPI-CFAA

Lors de la conférence et l'assemblée générale annuelles de la FCAPI en juin dernier, le conseil d'administration a réévalué les priorités de la Fédération pour 2006-07. Ainsi, le conseil de la FCAPI a décidé de réorienter les efforts de la Fédération vers les diverses questions fiscales auxquelles sont confrontés les propriétaires de logements, en raison du climat politique actuel au niveau fédéral.

Par ailleurs, la FCAPI continuera à promouvoir le projet d'un programme d'allocations-logement national.

Parallèlement à la conférence interne de la FCAPI, la Fédération et l'Eastern Ontario Landlord Organization (EOLo) ont tenu une conférence sur l'habitation afin de promouvoir les allocations-logement. Soixante-sept personnes y ont participé, dont Madame Lisa MacLeod, députée provinciale de Nepean-Carleton. Les deux conférences ont connu un franc succès et, par conséquent, le conseil de la FCAPI prévoit la tenue d'une autre conférence sur l'habitation en juin 2007.

En outre, la FCAPI a approuvé le travail ré-

alisé par Dickie & Lyman LLP pour le compte de la Fédération, et renouvelé le contrat du président dont les responsabilités ont été accrues. Suite à des modifications mineures, les cotisations à la FCAPI et le budget ont été approuvés.

Le conseil est satisfait de la structure de gouvernance actuelle de la FCAPI, à savoir les réunions bimestrielles des administrateurs tenues en alternance avec les réunions du comité des relations gouvernementales et des communications, et du comité des effectifs, du financement et des finances. Nous comptons maintenir cette structure en place.

La FCAPI a mis sur pied deux groupes de travail temporaires : l'un est chargé du problème des punaises de lit et des pesticides, tandis que l'autre est responsable de la production de rapports relatifs aux locataires et au crédit. Tout membre qui porte un intérêt particulier à l'un ou l'autre groupe de travail est prié de communiquer par courriel avec le

(suite à la page 5)

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CFAA-FCAPI Requests Tax Equity for Residential Rental Property

By John Dickie, President, CFAA-FCAPI

For the last 10 years, fewer than 20,000 purpose-built rental units were added to the rental housing supply each year. Before 1975, Canada had a thriving rental housing industry, producing between 50,000 to 70,000 purpose-built rental units annually.

Most members of the public perceive landlords as wealthy individuals with high incomes. This view is largely incorrect. However, the view of landlords as wealthy, high-income earners has tainted the tax reform process.

Prior to tax reform in 1972, residential rental property was treated fairly and in a manner similar to the treatment accorded to other capital property held to produce income. The tax reforms of 1972 and subsequent years imposed some changes on all capital property, and other changes specific to residential rental property. In many cases, residential rental property is now treated less favourably than other income-producing property. CFAA-FCAPI's key request is for the restoration of equity between residential rental property and other capital property.

For example, prior to 1972, the sale of rental property could be undertaken without tax being payable (on the recaptured depreciation) if the proceeds were reinvested in another rental property. Now that still applies to other businesses but not to rental investors. Consequently, the expected return to the rental investor is reduced, liquidity is decreased, risk is increased, and the investor requires a higher pre-tax price on the disposal of the rental property. It is clear that the requirement to pay tax on the disposition of a rental property is a significant deterrent to investment in rental property.

Related to the lack of provision for tax deferred reinvestment is the requirement to maintain separate classes for properties bought for over \$50,000. In 1972, \$50,000 represented a property of some value; today, \$50,000 is a negligible amount compared to the normal values of rental properties.

CFAA-FCAPI is asking the government to allow the deferral of capital gains tax and recaptured depreciation upon re-investment in rental housing.

Besides the issues of equity between rental housing investors and other income-earners, there is also the question of equity for tenants vis-à-vis homeowners.

It is well known that the Canadian tax system provides favourable treatment for homeownership. Homes are treated as consumption goods rather than investment goods. The value that people enjoy in using their home is not recognized as being part of their income. Homeowners are able to invest in a home and enjoy the "fruit" of that investment without paying tax on it; whereas if a person invests in another asset and earns income, they must pay tax on that before paying their rent. In addition, capital gains on the primary residence are exempt from income tax.

It is also well known that the average homeowner has both much more wealth and more income than the average tenant. CMHC reports that the average Canadian homeowner has a substantially higher income (\$71,946) than the average Canadian renter (\$38,797). Renters under the age of sixty-five have only about 13% of the wealth of homeowners, while renters over the age of sixty-five have only about 26% of the wealth of homeowners in the same age group.

We understand that the Department of Finance is reluctant to recommend tax relief for rental housing in part because of a view that such relief would be a tax expenditure which would be less efficient than direct subsidies to increase supply. CFAA-FCAPI submits that such concerns should not apply at all to tax relief to bring equity to the taxation of rental housing compared to other investments.

When or if we reach the point that rental housing is not taxed more heavily than other sectors, then and only then, will consideration of the efficiency concern have some validity.

There is also a tendency to overstate the beneficial results of direct subsidies. People often assume that if \$50,000 is spent to subsidize a unit (costing say \$120,000), then there is one more rental unit available than if the \$50,000 had not been spent. However, in many market environments, new subsidized production crowds out private supply one-for-one; and therefore that \$50,000 subsidy is in fact wasted.

On the other hand, a reduction in taxes initially raises the after-tax rate of return. That results in more investment in rental housing (i.e. more units or improvements to units), and the cost of the tax reduction on the pre-existing units is offset by the increase in tax revenue on the greater number of units, or on the higher rent obtained on the improved units.

CFAA-FCAPI asks the government to:

1. Allow tax deferral on sales when the proceeds are reinvested in rental property.
2. Raise the property limit for pooling to \$750,000.
3. Zero rate the rental housing industries for GST.
4. For the GST self-supply rules, base the value of new construction on cost to avoid taxing non-realized condominium value, and encourage the rental of new units.
5. Allow small landlords to qualify as small businesses – businesses which invest in and manage real estate are effectively barred from qualifying for the small business deduction.
6. Increase the capital cost allowance (CCA) rate and extend eligibility for CCA losses.

For more information on tax and other housing policy issues, visit www.cfaa-fcapi.org.

Financial Incentives from the Office of Energy Efficiency

Bulletin received from the Office of Energy Efficiency, Natural Resources Canada, July 21, 2006

A short-term extension of climate change programs, including initiatives for commercial and institutional buildings from Natural Resources Canada's Office of Energy Efficiency (OEE), has now been approved. This will serve as an interim measure until the Government of Canada finalizes a strategy for reducing greenhouse gas emissions and ensuring clean air, water, land and energy for Canadians.

Funding Confirmed for Existing Buildings

<http://oee.nrcan.gc.ca/existingbuildings>

EnerGuide for Existing Buildings (EEB), formerly the Energy Innovators Initiative, will be accepting applications for Energy Retrofit Assistance (ERA) until September 15, 2006. Applications received after this date may be considered on a case-by-case basis until funding is depleted.

ERA-I: Please note the following important changes for retrofit implementation projects:

- A new application form has been designed to speed up both the application and approval process. It works best in Microsoft Excel, but it can also be used in other spreadsheet programs such as OpenOffice CALC, which can be downloaded in both official languages at no cost. The new form is clear, easy and does your calculations for you!
- An Energy Management Plan for your organization is no longer a

prerequisite for applying.

- Projects cannot begin until after the Government of Canada signs the Contribution Agreement (CA), and the work must be completed within one year of this date. EEB will be observing tight deadlines to make sure your CAs are approved without delay, and as a result, there will be specific deadlines for applicants to return signed CAs and other forms.
 - There will be no amendments to extend project end dates, and the amount of funding cannot be increased after the CA has been signed.
 - There is a new payment structure. Applicants can receive 50 per cent of funding when they have spent 25 per cent of eligible costs or an amount equal to the incentive, whichever is higher. All documentation for this first payment must be received by EEB before March 19, 2007. The remaining 50 per cent will be paid after one year of monitoring and tracking following project completion with confirmation of anticipated energy savings.
- ERA-P:** There is also a new deadline for retrofit planning activities:
- All projects must be completed by March 31, 2007, and final reports and invoices must be received by EEB before May 15, 2007.

Funding Confirmed for New Buildings

<http://oee.nrcan.gc.ca/newbuildings>

The Commercial Building Incentive Program (CBIP) encourages the design and construction of new, energy-efficient commercial, institutional and multi-unit residential buildings and facilities. CBIP provides design assistance and funding of up to \$60,000 for eligible organizations based on building energy savings.

The Industrial Building Incentive Program (IBIP) encourages the design and construction of new, energy-efficient industrial facilities. IBIP is a demonstration initiative, with funding of up to \$80,000 for eligible organizations based on process and building savings. Organizations must first join the Industrial Energy Innovators.

CBIP has been evaluating projects since the beginning of the fiscal year and contribution agreements for approved projects will now be drafted. Please note all new submission should be submitted no later than December 1, 2006, or until funding is depleted, whichever comes first.

With only nine months remaining in the fiscal year, speed and efficiency are the order of the day. Don't delay!

To speak to an OEE representative, please visit:

<http://oee.nrcan.gc.ca/commercial/contact-us.cfm>

or call us toll free at 1 877 360-5500.

What Value Should you Declare for a Superintendent's Apartment?

Contributed by the Greater Toronto Apartment Association

There are varying opinions on how to account for the taxable benefit to declare for an employee who receives an apartment as part of their employment package. Recently Brad Butt, President & CEO of the Greater Toronto Apartment Association, did speak with the Canada Revenue Agency (CRA) that did not provide a specific calcula-

tion.

The CRA indicates that fair market value should be declared but the percentage of the market rent that would be considered additional employment income could vary greatly depending on the individual's responsibilities and the makeup of the property where they work.

It was recommended that apartment building owners consult the *Employers' Guide for Taxable Benefits* on the CRA's website at www.cra.gc.ca. Form T-4130, page 17 provides for a description of these benefits and how they would apply.

CMHC Report: Housing Allowance Options for Canada

By June Carter, Vice-President, CFAA-FCAPI

In Canada, several provinces have housing allowance programs. Many countries have some form of housing allowance program. Some programs are large, providing substantial benefits to a large number of people. Other programs are small, providing limited benefits to targeted populations.

CMHC sought a report from Abt Associates, a consulting firm with substantial expertise in housing policy, to describe various housing allowance options and to present key issues relating to housing allowances. Abt Associates presented a summary of their report, *Housing Allowance Options for Canada*, at the CFAA/EOLO Housing Conference on June 9, 2006.

Set out below are some observations made in the report about the current provincial programs, and about possible national housing allowance programs.

Current Provincial Housing Allowance Programs

Currently four Canadian provinces have limited housing allowance programs: British Columbia, Saskatchewan, Manitoba and Quebec. Depending on the province, the programs are open to senior citizens or families with children or the disabled.

The first Canadian housing allowance program was started in B.C. in the late 1970s, motivated by the desire to help low-income elderly tenants paying high rents, particularly in Vancouver. Over time, other provinces adopted the B.C. idea.

Contrary to initial concerns, the provinces found that costs are not explosive;

in fact, program costs have tended to decrease over time.

After some years of experience, Manitoba and Quebec decided to reduce the minimum age for eligible households to 55. In addition, Manitoba broadened eligibility to families. Among Canadian provincial programs, only Quebec includes homeowners as well as renters.

To control costs and mitigate work disincentives, current provincial partial gap programs have additional formula parameters or constraints. B.C. has variable parameters that become more generous as income declines. To avoid the serious work disincentive, it is considered important to ensure that the marginal effective tax rate of adults in prime working years is never extremely high.

A repeated finding from the provincial housing allowance programs is that not all eligible people apply. As well, receipt of the allowance induces very few, if any, moves to another unit. A Manitoba survey asked those who had not moved why they had not: 89% of recipients said they were satisfied with their present residence; 76% said they were close to amenities and services.

The Canadian provincial housing allowances do not result in rent inflation either for recipients or for the housing market as a whole. A comparison of increases in the rental component of the CPI between cities with housing allowances and similar, non-allowance cities shows no differences. Households understand the importance of controlling their housing costs in a Partial Gap Coverage program.

The current partial gap programs are aimed at helping the problem of housing

affordability and they do this well, either by reducing the number of households in core need or by reducing the severity of core housing need for households.

Possible National Housing Allowance Programs

The same CMHC report included detailed cost estimates of various possible programs.

As to **design options**, the report considers:

1. Full Affordability Gap Coverage
2. Partial Gap Coverage (the report uses 75%)
3. Flat Subsidy (the report uses \$1,000 per year)
4. Rent Co-Payment (the report uses 20%)

Within those four options, the report considers six **eligibility options** for specifying the population eligible to participate in the housing allowance program:

- a. All households in core housing need (renters and homeowners)
- b. Program size limited by a waiting list to meet a specific budget
- c. Program size based on household income
- d. Program size limited by current rent burden
- e. Limiting the program to renters
- f. Limiting the program based on household type, such as older residents.

The report then considers four possi-

(Continued on page 5)

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Housing Allowances (Cont'd)

(Continued from page 4)

ble implementation options:

- i. Federal Government through income tax filing system
- ii. Federal government, but outside the income tax system
- iii. Federal-provincial, cost shared program permitting provincial discretion over some program features
- iv. A block grant program with national purposes and eligible uses of funds, but substantial provincial discretion over program design

Housing allowance programs are often open enrolment or entitlement programs, for all households below an income threshold, and in many cases other criteria related to the type of household. However, housing allowances can be rationed (e.g. by a waiting list) to ensure that a budget limit is not exceeded.

The report notes that the case for using housing allowances compared with housing supply subsidies rests on several premises:

- Fairness, or horizontal equity
- the view that choice promotes greater value in the subsidy
- the view that choice promotes self-reliance and self-respect

- the view that dispersal of low-income families is better than concentration
- Empirical evidence that supply-side subsidies cost more
- the greater feasibility of providing a modest subsidy to a large number of households for a demand-side program
- the wish to avoid adding unnecessary capacity in markets with vacancies.

The subsidy formula is usually based in part on the household's income and in part on housing costs, but formulas differ and are often quite complex.

The larger the subsidy, the larger the potential impacts will be on recipient housing. Under any implementation option, a program can be designed that has an effect on housing consumption and avoids inflating rents.

The impact on demand depends on whether the subsidy is used primarily to reduce rent burden in the current unit or whether it is used to move to new units or create new households. The impact also depends on the size of the allowance program relative to the overall market. To the extent that there is an impact from housing allowances on local housing markets, the impact depends on the rent caps allowed in the program and how they relate to local market rents, as well as on the number of assisted households.

A housing allowance may have a positive effect on work incentives for social assistance recipients by lowering the "welfare wall." If a housing allowance is paid based on income and shelter costs (and perhaps other criteria) regardless of whether the recipient is on assistance or working, then recipients will no longer face as high a financial loss upon leaving social assistance. One of the central objectives of many social programs is to reduce poverty. A housing allowance will reduce poverty if it is well targeted and provides additional income or benefits to poor people.

In CFAA's view, what needs to be done to advance the issue is the following:

1. a review of the 30% affordability standard; and
2. the determination of a series of practical options for a national housing allowance program which combine various limits on the possible program options in practical ways.

In pursuing practical options, regard should be had to the current provincial programs, which are very successful and operate at a reasonable cost.

For more information about housing allowances, visit www.cfaa-fcapi.org.

Cont'd from page 1

president@cfaa-fcapi.org.

La FCAPI souhaite continuer à faire progresser les intérêts de l'industrie du logement locatif au niveau fédéral. Sachez que nous travaillons conjointement avec les associations provinciales et locales, puisque les politiques en matière de logements locatifs et de fiscalité sont étroitement liées, et ce, de maintes façons.

2006-2007 conseil d'administration FCAPI:

- Lynda Pasacreta – BCAOMA
- Theresa Llewellyn – CAA
- Jean-Francois Bigras – CORPIQ
- Clarence Rusnell - EAA
- Geoff Youngusband and John Dickie – EOLO
- Vince Brescia – FRPO
- Brad Butt – GTAA

- Arun Pathak – HDAA
- Rex MacLaine – IPOANS
- Jonathan Brimmell – LPMA
- Casey Timmermans – MHPOA
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Les Subventions d'énergie disponibles

Par Le Bureau de L'efficacité énergétique—bâtiments commerciaux et institutionnels

Mises à jour des politiques d'Éner-Guide pour les bâtiments existants

ÉnerGuide pour les bâtiments existants (EBE), anciennement l'Initiative des Innovateurs Énergétiques, offre des appuis financiers à des organismes commerciaux ou institutionnels et à d'autres organismes admissibles. Le programme aussi s'applique à beaucoup des bâtiments résidentiel à logements multiples. Afin qu'une plus grande diversité de bâtiments et de projets puissent recevoir un appui financier, les modifications suivantes ont été effectuées par EBE.

Nouvelles formulaires et échéances (depuis le 21 juillet 2006)

Pour les projets de réalisation des améliorations (AF-R), les changements incluent un nouveau formulaire de demande en Excel de Microsoft ou OpenOffice CALC, de nouvelles procédures d'autorisation, une nouvelle structure de paiement (les participants peuvent obtenir 50 p. 100 du financement lorsqu'ils ont engagé le plus élevé des deux montants : 25 p. 100 des coûts admissibles ou une somme égale à l'appui financier) et de nouveaux échéanciers (les documents pour le premier paiement doivent être soumis au plus



tard le 19 mars 2007). En ce qui a trait aux activités de planification des améliorations (AF-P), tous les projets doivent être terminés au plus tard le 31 mars 2007, et les rapports finaux et les factures doivent être reçus au plus tard le 15 mai 2007.

Financement est confirmé pour 2006-07 (depuis le 21 juillet 2007)

Le budget d'EBE est confirmé jusqu'au 31 mars 2007. Le programme acceptera les demandes d'appui financier pour les améliorations du rendement énergétique reçues avant le 15 septembre 2006. Les demandes reçues après cette date seront étudiées au cas par cas, et ce, jusqu'à épuisement des fonds.

Pour trouver plus d'information appuyez-ici: <http://oeo.nrcan.gc.ca/commerciaux/appui-financier/existant/ameliorations/changements.cfm?attr=20>

Le budget du PEBI confirmé jusqu'au 31 mars 2007

En juillet 2006, le programme d'encouragement pour les bâtiments commerciaux (PEBC) et du programme d'encouragement pour les bâtiments industriels (PEBI) on reçu le financement afin qu'ils puissent poursuivre leurs activités jusqu'au 31 mars 2007. Il s'agit d'une mesure temporaire en attendant que le gouvernement du Canada élabore une stratégie pour réduire les émissions de gaz à effet de serre et assurer à l'ensemble de la population canadienne de l'air, de l'eau, des sols et de l'énergie propres.

Le PEBC a déjà reçu un volume important de demandes ces derniers mois. Pour être en mesure de traiter de nouvelles demandes et de préparer une entente de contribution avant le 31 mars 2007, le gouvernement ont décidé de n'accepter de nouvelles demandes en vertu du programme que jusqu'au 1^{er} décembre 2006 ou jusqu'à épuisement des fonds. Pour lire plus, appuyez-ici: <http://oeo.nrcan.gc.ca/industriel/appui-financier/nouveau-batiment/budget-pebi.cfm?>

Teach your staff to listen with more than their ears!

By Lynda Pasacreta, CEO, BC Apartment Owners and Managers Association and Vice-Chair, CFAA

In today's competitive market rental property owners and property managers look for great attitudes, excellent customer service skills, great communication skills and great listening skills when hiring resident managers for their rental properties.

Owners and property managers have to also implement ongoing training in customer service and skills for their front line staff to remain competitive and to keep good employees.

A key component of providing excellent customer service and to be successful at



filling vacancies, a resident manager must learn to listen – L-I-S-T-E-N!

Most of us are not good listeners. Most people want to tell a story. By talking all the time and not asking questions of a potential buyer, you would have no idea what your customer wants, what is important to your customer. You may be trying to sell them something they may not want, but you did not ask. We need to avoid being so eager to tell that we forget to listen.

Most of us listen at about 25% of our potential which means we ignore, forget, distort, or misunderstand 75% of what we hear. Lazy listening habits can cost companies significant dollars (in lost customers and lost revenue).

Teach your staff techniques to create better listening habits, such as resisting distractions, staying alert and listening as though you had to report the content of the message to someone within 8 hours. People need to learn how to take notes while listening at full attention by writing down only the key points. Seek clarification if you are not sure that you heard the message correctly – “so what you are saying is”, “so what you are looking for”, for example.

No matter what business you are in, you and your staff need to offer the best product with the best customer service experience so that your customers will choose your product rather than your competitors'!

Apartment Financing Strategies for Owners and Investors (Parts 1 and 2 of a 3 Part Series)

By Tory Barker, reproduced from the Calgary Apartment Association's "Rental Review"

In today's real estate environment, it has become more important than ever to fully understand and appreciate the various financing alternatives available to borrowers.

Once the decision has been made to acquire an apartment building, often the next major decision faced by the purchaser is the financing required to complete the purchase. In today's environment, borrowers have the option to deal with a number of different types of lending institutions, almost all of which have an insatiable appetite to lend on commercial real estate product, and on apartment buildings in particular.

There are two main financing methods typically used to finance apartment buildings in Canada—conventional mortgage financing or CMHC insured mortgage financing. Each type has its own distinct advantages and disadvantages.

Making the decision to finance conventionally or CMHC insured is usually made after reviewing a few important considerations, such as:

- What are the objectives and rate of return expectations?
- What is the anticipated holding period for the investment?
- What degree of leverage/financing is expected?
- Are there plans to do upgrades or raise rents in the near future?
- What is the nature of the ownership? (personal, corporate, etc.)
- Is the Borrower seeking closed or open mortgage terms?
- Are annual pre-payment options important?
- Are there plans to condominiumize the property and sell off individual units?
- Are there plans to sell the property in the short to mid term?
- What is the loan term requested by the borrower?

- What method type of loan repayment is sought (fixed rates, floating rates, interest only, etc.)?
- Are personal and/or corporate guarantees available?
- What is the borrower's risk tolerance re: interest rates?

Conventional First Mortgage Financing

A large portion of commercial apartment mortgages in Canada is financed by way of conventional first mortgage financing. Lenders who provide conventional first mortgage financing are typically limited to lending to a maximum loan amount not greater than 75% of the purchase price or appraised value (whichever is less).

Amortizations are typically up to 20 or 25 years. Interest rates are generally quoted as a "spread" above the lender's internal cost of funds, or, more commonly, as a "spread" above a similarly maturing Government of Canada bond yield.

Most conventional first mortgage lenders will require some form of covenant or guarantee. Some lenders may not require any additional covenant beyond that of the borrower entity, particularly if the loan-to-value ratio is less than 65%. Although most, if not all, conventional first mortgages are considered "closed", most are pre-payable with some form of penalty.

Many lenders offer fixed and floating rates. Processing fees charged by lenders can vary greatly, typically anywhere from 0.25% to 1.00% of the loan amount. In many cases, lenders can provide a letter of interest within a few days, and a commitment letter within 1 – 2 weeks.

CMHC Insured Financing

A significant number of apartment buildings are financed by way of CMHC insured first mortgage financing. Under this option, borrowers can obtain a loan for up to 85% of the purchase price or CMHC's value

(whichever is less). Additionally, borrowers can obtain significant interest rate savings through this option. In many instances, CMHC insured interest rates are anywhere from 50 to 100 basis points lower than conventional interest rates. However, in order for borrowers to take advantage of these benefits, a CMHC premium and application fee is charged by CMHC.

It is important to point out that the CMHC fees and premiums are financeable, which means they can be added to the loan amount. Terms available are usually 5 to 20 years. Amortizations are typically up to 25 years, although amortization periods up to 40 years may be available. Borrowers will pay an extra premium surcharge of 0.25% for every 5 years above a 25 year amortization period.

Although fixed rates are the dominant option, floating rate options are also available. Fixed interest rates are usually quoted as a "spread" above a similarly maturing Government of Canada bond yield. Floating rates are generally quoted as a "spread" above Prime Rate, or in some cases, a "spread" above Bankers Acceptance rates.

CMHC will generally require additional guarantees, which are limited to a maximum of 50% of the loan amount. If the loan-to-value ratio is less than 60% (of CMHC's lending value), then no additional guarantees are required. CMHC generally requires that the borrower have a net worth equal to at least 25% of the loan amount, with a minimum of \$100,000. Usually lenders charge very minimal (or no) processing fees to do CMHC deals. Obtaining CMHC approval and a formal commitment letter from the lender generally takes upwards of 3 weeks.

Troy Barker is Director, Prairie Region for First National Financial Corp. and can be reached in Calgary at (403) 261-5589 or by email at troy.barker@firstnational.ca.

Exposure to Drifting Second-hand Smoke in Multi-Unit Dwellings – Background (excerpts)

By NonSmokers' Rights Association Smoking and Health Action Foundation, May 2006

Rights of Property Owners

In Canada there is no constitutionally guaranteed *right* to smoke. The Canadian *Charter of Rights and Freedoms* does not provide protection against discrimination against smokers.

As a general rule, landlords are permitted to impose restrictions on their tenants unless the restrictions violate existing laws or are discriminatory. Building owners and home owners who rent self-contained apartments in their homes have the legal right to designate specific apartment units or entire buildings as non-smoking and to rent only to non-smoking tenants. ... Common law generally grants owners the right—and in some cases the obligation—to protect other tenants and the owner's property.

There are many benefits to designating a building 100% smoke free:

- Reduced risk of fire
- Lower insurance costs
- Lower maintenance costs
- Reduced painting frequency and costs
- Less chance of non-smokers moving out due to unwanted exposure to

drifting smoke

- Less chance of being sued by tenants over harm to health from exposure to second-hand smoke
- Increased marketability.

There are numerous laws affecting the rights and responsibilities of both tenants and landlords of multi-unit dwellings:

- Individual tenancy agreements between the landlord and tenant, which are legally binding documents
- Municipal bylaws
- Provincial/territorial legislation governing residential tenancy, which sets out the legal rights and obligations of landlords and renters of residential property
- Provincial/territorial legislation governing condominiums
- Human rights codes.

More than 170 municipalities across Canada have bylaws restricting smoking in buildings accessible to the pub-

lic. Many of these bylaws prohibit smoking in all public or common areas of building, including hallways, foyers, stairways, elevators, and laundry rooms.

Provincial/territorial residential tenancy legislation details the rights and responsibilities of landlords and tenants of residential premises and provides a means of settling disputes. Most residential tenancy acts stipulate that tenants are entitled to "quiet enjoyment" of their property, which includes the right to be free from unreasonable disturbances by other tenants. While these laws usually do not specify second-hand smoke as grounds for breach of quiet enjoyment, there is emerging case law to support a claim that second-hand smoke can unreasonably interfere with "quiet enjoyment."

For more information about the rights and responsibilities of residential landlords with respect to smoking, you can download a copy of the full paper at nsra-adnf.ca/cms/file/pdf/Drifting_SHS_multi-unit%20dwellings_Background_up_dated_May_2_2006.pdf

President's Update (cont'd)

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vided. The budget and CFAA dues were approved with minor amendments.

The Board is pleased with CFAA's current governance structure, namely the directors meeting one month out of every two, with the Government Relations and Communication Committee and the Membership, Fundraising and Finance Committee meeting during the alternate months. We will continue with that structure.

CFAA also decided to create two short term Task Forces, one on the issue of bed

bugs and pesticides, and one on tenant and credit reporting. Any member with a particular interest in those areas is invited to contact president@cfaa-fcapi.org

CFAA looks forward to continuing to advance the interests of the rental housing industry at the federal level. We work closely with provincial and local associations, since rental housing and tax policies interact in many ways.

2006-2007 CFAA Board of Directors:

- Lynda Pasacreta – BCAOMA
- Theresa Llewellyn – CAA

- Jean-Francois Bigras – CORPIQ
- Clarence Rusnell - EAA
- Geoff Younghusband and John Dickie – EOLO
- Vince Brescia – FRPO
- Brad Butt – GTAA
- Arun Pathak – HDAA
- Rex MacLaine – IPOANS
- Jonathan Brimmell – LPMA
- Casey Timmermans – MHPOA
- Avrom Charach – PPMa
- Al Kemp – ROMS BC
- Scott Stacey – SJAOA
- Jonathan Sturm – SRHIA
- Glenn Trachsel – WRAMA



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