



**Canadian
Federation of
Apartment
Associations**

**Fédération
Canadienne Des
Associations
De Propriétaires
Immobiliers**

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Ms. Bayla Kolk
Associate Assistant Deputy Minister
Canadian Housing Framework Consultations 2005
National Secretariat on Homelessness
165 Hotel de Ville Street, 8th Floor (Phase 2),
Gatineau, Québec K1A 0J2

Dear Ms. Kolk:

**Re: Towards a New Canadian Housing Framework - Consultations 2005
Submission of the Canadian Federation of Apartment Associations**

The Canadian Federation of Apartment Associations (“CFAA”) represents the owners and managers of close to one million residential rental suites in Canada, through 14 organizations across Canada. CFAA is the sole national organization representing the interests of Canada’s \$30 billion rental housing industry. We were pleased to be invited to participate in the 2005 housing framework consultations.

CFAA agrees that addressing housing and the needs of the homeless in this country is important. While we communicated our positions on how that is best done through our participation in the various expert and community consultations, we are writing to provide you with a comprehensive statement of CFAA’s housing policies, and the support for those policies.

Solving the affordable housing problem

You want to know what tools work best to deliver housing that is safe, adequate and affordable to all Canadians.

CFAA believes that the building of new housing is best left to the private market. Because it is new, newly built housing cannot be affordable. Existing tools do work well to promote the building of housing, but building new housing is inevitably building housing at high cost. Where the private market is allowed to work, it responds very efficiently to effective demand. (Effective demand is the desire for the housing and the ability to pay for it.)

The main cause of core need is the fact that the housing costs more than 30% of the occupant's income. To increase the supply of "affordable" housing, we need either a reduction in costs (like lower income taxes on rental property) or an increase in the ability of people to pay for low-rent housing, or both.

The following are some specific points that our material addresses:

Issue	Answer
Affordable housing can be produced with little government assistance if approached in the optimum way.	Tab 1, pp. 15-17 Tab 4
There are available rental units. Most tenants do not need new units - they need help paying their rent.	Tab 2, p.3 Tab 6, p.2
Government should provide "in-situ" rental subsidies, allowing tenants to remain in their current home and benefit from financial support without the need to physically relocate.	Tab 1, pp.6, 9, & 12 Tab 7
In-situ rent supplements and portable housing allowances preserve communities.	Tab 1, p. 6 Tab 7
Portable housing allowances will free up space in supportive housing.	Tab 1, p. 8
Portable housing allowances help a greater number of low-income households at much less cost to the taxpayer than building new social housing.	Tab 2 Tab 6 Tab 7
There was general agreement at the expert panels that the government should lower the income tax paid by the rental housing industry.	Tab 1, pp.2, 10, 11, 15 Tab 3
Social services providers often do not want to be in charge of maintaining the buildings in which they provide support services to tenants. Maintenance and management of the buildings could better be left to the private sector.	Tab 1, p.19

CFAA policy prescription.

Since the main cause of core housing need is low incomes (as recognized in the English language break-out group at panel #4), and since private developers can build at less cost to the government than social housing providers, CFAA suggests that the Government will achieve the best housing result for the most people if it does the following:

1. **Provide more favourable tax treatment for the rental housing industry.** Federal and provincial income tax treatment for rental properties is much less favourable than it was formerly, and in many cases less favourable than the treatment of commercial property or shares or owner occupied homes. This means that rents have to be higher than they otherwise would be to provide the after-tax rate of return required for investments in rental properties.
2. **Increase funding for portable housing allowances to provide effective demand for units.** Markets respond very efficiently to effective demand; markets only respond to social needs when those needs are backed up by effective demand. The housing markets can respond to effective demand more efficiently than solutions outside the housing markets while giving greater satisfaction to the recipients of the allowances. In addition, most households in core need already live in housing that is otherwise suitable; they simply need assistance to pay for it. New social housing is not a cost-effective solution. Rather than investing in building new social housing, government could fund a housing allowance program by creating an endowment for housing and invest the money in long term investments.
3. **Restrict funding for new construction programs to housing for “special needs” that cannot be met by the private sector.** The private sector will provide all the housing for which there is effective demand, at the lowest cost. It is the various needs for supportive housing that the private sector does not have the ability to serve.

Attachments

Background information and further details are found in the following attachments:

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| Tab 1: | CFAA’s response to expert panel discussion questions |
| Tab 2: | Submission to the Honourable Joe Fontana, Minister of Labour and Housing, by CFAA, October 2004 |
| Tab 3: | Federal Pre-budget Submission, by CFAA, October 2004 |
| Tab 4: | The Affordability of Housing in Ontario: Trends, Causes, Solutions, by Vince Brescia, Federation of Rental-housing Providers of Ontario (“FRPO”), 2005 |
| Tab 5: | Canadian Housing Framework Consultations 2005, Presentation by Vince Brescia, FRPO |
| Tab 6: | Endowments for Housing: Comparative Benefits of Portable Housing Allowances, by CFAA |
| Tab 7: | Portable Housing Allowances - Information Sheet by CFAA, Feb 14, 2005 |

Conclusion

In our view, CFAA's policies would lead to a better situation for tenants, landlords and taxpayers. Tenants would gain more housing, and would see more choice and better maintenance and services through private competition. Landlords would see better after-tax returns, more investment opportunities, and a greater ability to buy or sell as their investment goals change. Taxpayers would save money because the cost of helping tenants directly with their affordability problems is far less than the cost of the government subsidizing the building of new social housing.

If you have any questions, please contact me at (613) 235-0101. We look forward to seeing effective action on housing in the near future.

Yours very truly,

John W. Dickie
President,
CFAA-FCAPI

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cc. Honourable Joe Fontana , Ms. Judi Longfield, & Mr. Pat Lebrun