

## ANNUAL PRESIDENT'S REPORT TO MEMBERS

September 2005

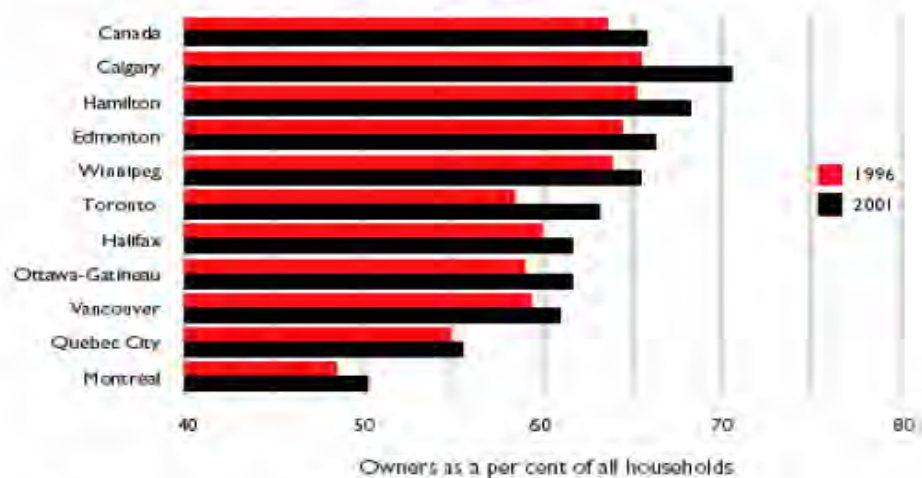
### Introduction

In this President's report to members, we have tried to set out the context in which CFAA-FCAPI works, namely the long term trends in the demand for and supply of rental housing, and what they mean for our industry. After the discussion of the long term trends, we report on the results of CFAA-FCAPI's work in the year past, and on the opportunity we have before us, as well as how we can best achieve it.

### Industry Changes, 1960-2005

Construction of new rental housing has declined across the country, and home ownership rates have risen from 60.3% in 1971 to 65.8% in 2001, with nearly half of that increase taking place between 1996 and 2001. For Canada as a whole, 35% of people now rent their homes, down from 40%.

OWNERSHIP RATES, CANADA AND SELECTED URBAN CENTRES, 1996 AND 2001

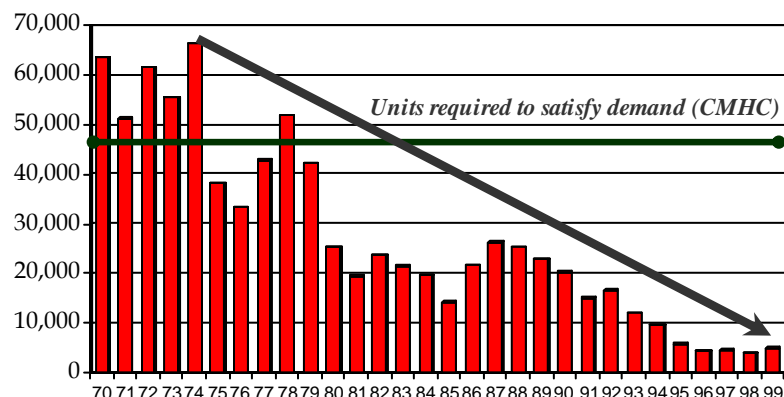


Source: CMHC, adapted from Statistics Canada (Census of Canada)

During the 1970's and early 1980's, the introduction of federal and provincial tax initiatives for housing tended to off-set the impact on the industry of provincial rent controls, very high mortgage rates, rapidly rising construction costs and a capital gains tax on real estate investments.

However, by the late-1980's, the development of new rental accommodation across Canada began to decline sharply as federal and provincial governments discontinued their housing stimulus programs and removed the tax shelter arrangements that had been

### National Private Rental Supply in Decline



available to real estate investors. Private rental completions dropped to less than 10,000 units annually throughout the late-90's, whereas CMHC estimates that 46,000 new units are needed each year to meet the growth in demand.

In fact, other rental units are provided by investors who buy and rent out condominiums. However, we face a significant decline in the relative importance of the purpose-built rental stock and the landlords who own and manage that sector.

### **Importance of CFAA-FCAPI's Representation**

To reverse the decline of the rental housing industry we need to improve the climate for rental investment. That includes reforms on provincial and municipal issues like rent control, property taxes, regulation and licensing, and housing policies. It also includes reforms on federal issues like income and capital gains taxes, the GST, and federal housing policies, including seeking federal money for housing allowances.

Canada's private rental sector is still facing barriers to meeting Canada's rental housing needs. Canada is losing out on rental housing jobs and investment. Old style methods of addressing housing affordability have failed and are very expensive. Fair taxation of rental housing and direct assistance to low-income households is the best national housing strategy.

When the private rental housing industry was not organized and active, our industry was negatively affected. When we are organized and active, we can at least mitigate any damage. As discussed below, we have a unique opportunity to effect change to the federal government's current housing policies that could be very positive to our industry.

### **Current Status**

CFAA-FCAPI has become much more active in recent years. Over the past year we have raised the profile of CFAA-FCAPI significantly within our membership, and within government. We are now being contacted by Minister Fontana's office on housing issues, including on tax rules that affect the rental housing industry. We expect our relationships with Minister Fontana's office, the Department of Finance, and CMHC to continue to grow in the year ahead.

The CFAA-FCAPI board of directors is confident that our activities this past year had a direct influence on Minister Fontana's decision to allow federal funding to be used for rent supplements or housing allowances. That was a specific goal CFAA-FCAPI set at the 2004 Conference and AGM. In addition, we continue to have input in the study directed by the Minister for the design of a housing allowance program. As CFAA-FCAPI President I have also been asked to sit on Minister Fontana's advisory board, "to discuss and share ideas as we work towards creating the [new] Canadian Housing Framework."

Despite growing support from the Government for CFAA-FCAPI's housing policies, implementation of those policies does not happen automatically or easily. Over the next six months, CMHC will receive and release a report on how the federal government can implement a National Housing Allowance. CFAA-FCAPI's top priority, as set by the directors at the 2005 Conference and AGM, is to achieve a National Housing Allowance. This is a unique opportunity to move housing in a direction that is favourable to our industry, to taxpayers and to tenants (our customers).

## **CFAA-FCAPI Resources and Response**

Since our Conference and AGM in July 2005, CFAA-FCAPI moved into the third year of a three year plan to increase its resources. We have kept to that plan, which saw membership fees increase by 50% between CFAA-FCAPI's fiscal years 2004-2005 and 2005-2006. Significant as a percentage, that increase is relatively small in dollars compared to the budgets of our member associations and the importance of CFAA-FCAPI's goals for the rental housing industry. We are seeking additional resources to take advantage of the current opportunity.

In January 2005, we were presented with another unique opportunity – participation in the Housing Framework Consultation. It was a once-a-decade opportunity to influence housing policy. At that time, many of our member organizations made donations to help fund CFAA-FCAPI's participation in the consultation and CFAA-FCAPI repeats its thanks to you. The final consultation report has been released, and it reflects the input we provided.

We now have another opportunity to build on that work to achieve our number one goal: a National Housing Allowance. However, CFAA-FCAPI has limited resources to take advantage of that opportunity. CFAA-FCAPI is requesting a second round of donations from its member associations to help us achieve that goal. Besides paying your 2005-2006 CFAA-FCAPI membership dues, the CFAA-FCAPI board of directors asks each association to donate \$1,200 to CFAA-FCAPI to provide resources for our current opportunity. Larger contributions would be very welcome, and would further expand our ability to take advantage of our current opportunity.

As in the past year we will be seeking volunteers to communicate our messages to various members of the federal government.

## **Fee/Donation Structure to be Replaced in 2006-2007**

For this year, the split fee/donation structure is seen as the best way to take advantage of our current opportunity, and to support the growth plan and the expectations of our member associations.

We realize that the current structure of fees and donations (i.e. a set membership dues amount, with a request for donations to fund work outside the scope of our budget), is not ideal for the future and expect to replace it in 2006-2007. CFAA-FCAPI is currently working on a review of its revenue, looking at the total amount, the dues structure, and other revenue sources.

## **Conclusion**

We have an excellent opportunity to improve the climate for rental investment. We hope that you will see your way to providing the resources to take the best advantage of that opportunity.

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