



Canadian
Federation
of Apartment
Associations

Fédération
Canadienne Des
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1. Introduction

As recently as 2003, the rental housing industry did not have a national office, and did not have regular contact with Federal MPs or federal officials. The rental housing industry stood in stark contrast to other industries in Canada which have a strong presence in Ottawa, and definitely in contrast with the U.S., where the apartment industry has a very powerful national presence and lobby.

Prior to 2004, the rental housing industry's approach was to leave the national effort to volunteers who had their own provincial or local associations or businesses to run. Notwithstanding the best efforts of busy volunteers, this led to rather weak and poorly coordinated efforts at national representation for our industry. At least in part that situation may be responsible for the barrage of changes in taxes since the late 1960s, which have treated our industry unfairly. Furthermore, our industry's concerns about poorly designed social housing programs, and our preferences for portable housing allowances, had gone unnoticed by federal officials.

Since 2004, the rental housing industry has taken steps to correct this historic problem. In 2006, for the first time in its history, our industry has been giving direct, regular and face-to-face input to the federal government on all major issues and concerns of our industry. This input has been based on the direct feedback of industry members right across the country. As shown in the details that follow, our industry's views are now sought out specifically by federal officials.

2. Income tax lobbying

To lobby effectively within each policy area, an association like CFAA needs to focus on one area of reform at a time. In the tax area in 2006-07 the CFAA Board decided to focus CFAA's efforts on obtaining "**tax deferral on re-investment**", which would ideally apply to defer both tax on capital gains, and recapture of capital cost allowance (CCA). CFAA's view is that such a deferral would be good for everyone in the rental housing industry. Besides the direct tax savings for anyone who sells real estate and re-invests the proceeds, such a reform would improve liquidity (i.e. the ease of selling, through increasing the number and variety of sales transactions). In turn, increased liquidity would reduce risk and raise values. The reform would also bring more property on to the market for those who want to expand their holdings. Of course these changes would also be good for renters, since they would encourage investment in rental property, and that would increase supply and choice.

On July 11, 2006, CFAA President John Dickie met Finance Minister Flaherty's tax policy advisor who said the Minister is looking at tax reforms, and expressed interest in CFAA's proposal for the deferral of capital gains taxes on sale and reinvestment (rollovers).

Through the Summer and Fall of 2006, CFAA continued to be in contact with the Finance Minister's office. John also met several times with REALpac, the Canadian

Real Estate Association (CREA) and other groups to co ordinate our efforts. CFAA was also in contact with tenants groups and social activists to encourage their support for tax relief for rental housing.

Starting in November, CFAA met numerous Members of Parliament, including Conservative, Liberal and NDP MPs. Through December and January CFAA met more MPs, including the Liberal and NDP Finance Critics. CFAA continued to be in contact with the Finance Minister's office to promote the tax deferral proposal.

On January 11, 2007, in Toronto, CFAA met Finance Minister Flaherty's budget planner and his tax policy advisor to promote the tax deferral proposal while the federal budget was being prepared.

In February 2007, CFAA had wide ranging talks about possible tax reforms with the Finance Minister's office. While tax deferral and re-investment is CFAA's top priority, we also discussed **increasing CCA rates**, in response to inquiries from the Minister's side.

By early March the budget was decided. Little tax relief for rental housing was provided in the March 19 Budget. Despite the earlier encouraging feedback, the 2007 Federal budget provided no tax deferral (rollovers) for landlords. In addition, while the budget increased the CCA rates on manufacturing plant and other non-residential buildings, that relief was not extended to residential rental buildings.

The only tax relief benefiting the rental housing sector is the incentive provided for provinces **to reduce or eliminate their capital taxes**. That will benefit many major landlords in Ontario, Quebec, Manitoba, Saskatchewan, New Brunswick, and Nova Scotia. The remaining provinces have already eliminated their capital taxes. The overall result is that federal income tax treatment for rental properties continues to be 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.

CFAA will continue its efforts to achieve equitable tax treatment for Canada's residential landlords. Landlords know how difficult it is to achieve sensible policies from their provincial and municipal governments. Influencing the federal government is even more difficult because the federal government is so much larger than the provincial governments, and there are so many different departments with their fingers in the action. The federal Finance officials vigorously protect the government's revenue sources, which makes it difficult to achieve the tax reforms landlords would very much like to see. The only way to succeed is by continuous focused effort, taking into account the political opportunities. CFAA is now applying that effort on the income tax front, and we look forward to success on our key issues in the years to come, particularly if Canadians elect a majority government interested in tax fairness and encouraging private investors.

3. Reasonable Expectation of Profit (REOP) rules

In December 2006, in the course of our income tax work, CFAA learned of a move by the Finance Department staff to proceed with legislation to re-implement the reasonable expectation of profit ("REOP") test which the Supreme Court of Canada struck down in 2002. Such a move could render non-deductible many expenses of certain rental property owners. As a result, CFAA met with Minister Flaherty's tax policy advisor on December 15 to express our opposition to a reintroduction of the REOP rules. CFAA prepared a detailed letter to confirm the discussions, which was submitted on behalf of CFAA, CREA, the Canadian Federation of Independent Business, the Direct Sellers Association and the Toronto Board of Trade. Together with the other associations, **CFAA has stopped for now the introduction of statutory REOP rules.**

4. Housing Policy Issues

While CFAA's main proactive work switched to the tax reform lobbying in mid-2006, we continued to deal with housing issues.

In June 2006, CFAA co-hosted a policy conference in Ottawa. That conference included a two-hour debate on the merits of housing allowances, which has been transcribed. The full debate is available at www.cfaa-fcapi.org/pdf/Panel_discuss.pdf. The report includes a detailed table of contents to help readers find the specific issues of most concern to them.

In July 2006, CFAA President John Dickie met with the housing policy advisor to Minister Finley, the Minister then responsible for CMHC. Minister Finley's office was sympathetic to most of CFAA's positions on housing. John reiterated the desirability of the federal government lifting the remaining limits on the use of federal money under the Affordable Housing agreements.

In September 2006, John represented CFAA at the Round Table on Homelessness called by the federal government to discuss the possible continuation of the National Housing Initiative (NHI). Apart from the Calgary Homeless Foundation, CFAA was the only group representing private rental housing providers. Some groups argue that homelessness is a result of high rents and feel that the NHI programs should address housing affordability through new construction. John expressed the views of CFAA's members that homelessness funding should all be spent on prevention or direct assistance to the homeless, such as counselling programs, shelters and special needs housing, not on so-called affordable housing generally. CFAA's support was significant in the decision to continue a reasonable federal program to ameliorate homelessness.

In October and November 2006, CFAA prepared policy statements for rapid growth areas and for temporary spikes in housing demand, to assist our Alberta and B.C. members in dealing with their housing lobbying issues.

On December 19, 2006, the federal government announced its new program to deal with homelessness called the Homelessness Partnering Strategy (HPS). It is funded at

\$270M over 2 years. The government has told CFAA that funding will be available to subsidize the homeless in private rental units. (This has been done successfully under the Toronto “Tent City program” and under various programs in the US.) The Minister’s office asked CFAA for our support for the program announcement, and included a quote from CFAA President John Dickie in the government news release. At the same time the government announced the extension of CMHC’s renovation programs for low-income households, including Rental RRAP. Both decisions are good news for landlords.

As part of the cabinet shuffle in early 2007, a new Minister became responsible for housing, homelessness and the CMHC. A few days after he was appointed, **Minister Solberg telephoned CFAA** to touch base with us and discuss our views on the new homelessness program and other housing priorities. CFAA was happy to congratulate Minister Solberg and to convey a few of our concerns about housing issues.

In 2004 and 2005 CFAA’s political opportunity was on housing policy because the Martin government was not interested in tax reform, but was interested in housing policy. Through CFAA’s housing lobbying, the federal government introduced flexibility in the application of federal housing funds. That opened the door for the provinces to apply federal housing money to housing allowance or rent supplement programs.

In the March 2007 Provincial budget, **Ontario** created a new \$185M portable housing allowance program, to be administered by the Province. **BC, Alberta, Saskatchewan, Manitoba and Quebec have all expanded their housing allowance or rent supplement programs within the last 18 months.** The latest expansion was the BC decision to raise the threshold for its housing allowances for families from an income of \$20,000 per year to \$28,000 per year. Housing allowances help tenants pay their rent in existing private rental accommodation, which is better for all concerned. CFAA is happy to see positive results from our federal housing policy work, even as we work hard to extend those positive results to federal tax reforms.

5. Dealings with CMHC

On December 14, 2006, the results of the October CMHC rental market survey were released. They included the average rent data for the secondary units and condos for Toronto, Montreal and Vancouver, and vacancy data for condos for Toronto, Montreal, Vancouver, Calgary, Edmonton, Ottawa and Quebec City. In 2007, all census metropolitan areas will likely be covered by both additional surveys. CFAA had been seeking that additional survey work for several years. CFAA issued a news release and backgrounder to promote the landlord side of the rental picture.

In April 2007, CMHC resumed the second annual vacancy and rental market survey, which will be done in April of each year. CFAA had been seeking that additional survey work for several years. In March, CFAA distributed text about the April survey received from CMHC, asking member associations to e-mail it to our members and to post it on association websites. CMHC appreciates our support in encouraging landlords to

provide the necessary information. In addition, the CMHC reports are now available free of charge, another CFAA request.

6. Energy Subsidy Programs

In January 2007, the Federal Government announced the ecoENERGY Initiatives, which will replace the EnerGuide programs that were put in place by the Liberals. When announced originally, it was not clear that the new programs would make subsidies available to the private rental housing sector. Therefore, CFAA participated in the government's consultations about the design of the new energy saving subsidy programs. CFAA provided input after consulting with our member associations. Details on how these programs will apply to the development and retrofit of apartment buildings will be set out in the May edition of CFAA's National Outlook.

7. Other lobbying issues

CFAA also worked with the leaders of local associations to provide support on local issues of broad concern. Examples include property tax issues in New Brunswick and Alberta, Residential Tenancy Act reform in Saskatchewan, rent control issues in Quebec and Manitoba, housing issues in Ontario, Alberta and B.C. and the second-hand smoke issue across Canada.

8. Decision-making and Reporting

Over the last year, the CFAA Board and its two key committees met a total of 18 times to decide positions on national issues. Through these frequent meetings, we ensure that the views of all member associations are taken into account in CFAA's decision making.

The CFAA National office provided 12 monthly reports to member Boards and 15 different articles for member Newsletters, and issued 4 editions of National Outlook (CFAA's 8 page quarterly newsletter).

9. Information exchange

Through CFAA, member associations exchanged information about government policy proposals which affect them. Issues which were addressed in 2006-07 include landlord rights and obligations re smoking, no-smoking rules, rent control, conversion controls, property taxes, housing allowance programs, landlord licensing, charges for police calls, grow-ops rules, credit checks, pest control and other issues.

Through CFAA, member associations also exchanged information about association issues. Issues which were addressed in 2006-07 include lobbying techniques, dues to members, revenue diversification, relationships with supplier members, codes of conduct, orientation information for new directors and other issues.

10. Conclusion

The CFAA Board would have liked to report more success on the income tax front. However, as noted on page 3, the federal Finance officials vigorously protect the government's revenue sources, which makes it difficult to achieve the tax reforms landlords would very much like to see. The only way to succeed is by continuous focused effort, taking into account the political opportunities. CFAA is now applying that effort on the income tax front, and with your continued support, we look forward to success on key tax issues in the years to come, particularly if Canadians elect a majority government interested in tax fairness and encouraging private investors.

Every year CFAA grows more effective in its ability to push for improvements that affect every owner or manager in Canada. The CFAA Board recognizes that results do not necessarily come quickly. Relationships have to be developed, and bear fruit over time. There is much still left for all of us to do, so that the rental housing industry can achieve its goals at the national level.