

CANADIAN FEDERATION OF APARTMENT ASSOCIATIONS
ANNUAL REPORT FOR 2009-10

CFAA'S GOALS AND MAIN ACTIVITIES

Currently, CFAA's three main political goals are:

1. tax deferral on sale and reinvestment
2. a) promoting housing allowances
b) seeking to focus new social housing construction on special needs
3. energy/environmental issues as they arise.

Another of CFAA's stated goals is zero-rating for the GST, which would mean that landlords would receive back the GST they pay on inputs, like the banks do on financial services. We have not made that a top priority, because it seems completely out of reach.

TAX ISSUES

Pre-budget submission: In July 2009, CFAA submitted a written pre-budget submission which sought:

1. tax deferral on sale and reinvestment
2. zero-rating rental housing for the GST/HST.

HST: Both Ontario and British Columbia decided to harmonize their sales taxes with the GST. The effect of harmonization will be to apply the provincial sales tax to numerous services and some goods to which it did not apply before. That will drive up the costs of operating rental property. Since the changes are provincial decisions to apply provincial taxes, the issue is one which is for the provincial apartment associations had the lead rather than CFAA. However, there were some federal issues, such as the amount of room the federal government allowed the provinces for special rules or exemptions.

Presentation to Finance Committee: On October 29, 2009, CFAA President John Dickie appeared before the federal Finance Committee to make CFAA's pre-budget submission. Given the change in CFAA priorities since the submission in late July, John asked for HST relief, and specifically for additional federal room for the Provinces to make special rules.

- Before the committee began to hear the presentations, John spoke with several Conservative and Liberal MPs who had previously expressed their (low-key) support for the tax deferral before. CFAA continues to work with CREA and REALpac to advance this key CFAA federal lobbying issue. The big roadblock we face is the general concern about the size of the federal deficit. That concern is extreme in the Finance Department.

Run up to the 2010 federal budget: During the run up to the budget, CFAA's goals were the following:

- to avoid tax increases that would hurt the rental housing industry;

- to advocate for the inclusion of landlords if the Renovation Tax Credit program is extended, and for the termination of the program if landlords are not included;
- to provide input regarding the Retrofit Incentive programs; and
- to build support for tax reforms to take effect when the fiscal situation permits.

2010 Federal Budget: Highlights for landlords in the 2010 federal budget include:

- Home Renovation Tax Credit not extended
- Corporate tax decreases to come in as planned
- \$1B more for social housing repairs and special needs housing (to be matched by \$1B provincially)
- Investment in provincial and municipal infrastructure to rise from \$1.7B to \$5.8B in total
- EI benefits extended at a cost of \$1.5B

Landlords should be reasonably satisfied with this budget, since it includes no new taxes, did not extend discriminatory support for homeownership previously given through the Home Renovation Tax Credit, and provides only modest money for social housing repairs and hardly any money for new affordable housing. We could be doing worse on these issues under a government by the Liberals, or if the NDP was exercising more influence through holding the balance of power.

HOUSING POLICY ISSUES

Restrictions on lending for homeownership: In February 2010, Finance Minister Flaherty announced modest restrictions on CMHC insured mortgage borrowing for home ownership, or investment in condos or other small scale rental properties. CFAA had been calling for the former, and is relatively content with the latter.

Government position on Housing: The Conservative government is inclined to leave action on housing issues to the Provinces, in large part because of their view of the proper division of powers under the constitution of Canada. New funding by the government has also been constrained first by the tax cuts the government introduced, and then by the budget deficit. Those factors also discouraged the government from providing any tax cuts targeted at rental housing. Some stimulus money was provided for housing; however it was primarily aimed at repairs to the existing stock of social housing. The limited amount of money provided for new construction of social housing was targeted at housing for special needs.

Bill C-304: Bill C-304 is a private member's bill tabled by Libby Davies an NDP MP from Vancouver. It passed second reading with the support of the Liberals, NDP and Bloc Quebecois, over Conservative opposition. If enacted, the Bill would require the Federal government to convene a conference of the provincial housing ministers and representatives of municipalities and Aboriginal communities within 180 days in order to develop standards and

objectives for the national housing strategy, and programs to carry it out and to produce targets for the commencement of the programs. Originally the Bill did not contemplate the involvement of the for-profit housing sector in creating the national housing strategy, or programs to carry it out, but after representations by CFAA, the for-profit housing sector would be invited to participate if the Bill is passed.

The federal Human Resources, Skills and Social Development Committee invited CFAA to address the Committee on Bill C-304 on November 5, 2009. CFAA stressed that a national housing strategy ought to contain demand side solutions for housing including portable housing allowances, and that the tax treatment of tenants and rental housing should be improved. Both points were sympathetically received by the committee. At CFAA's initiative the Bill was amended to include a provision that invites the private housing sector to participate in the conference. We continue to monitor the status of Bill C-304.

OTHER POLITICAL ISSUES

Immigration: CFAA has advocated for the continuation of high levels of immigration, and the federal government appears to want to allow that.

Energy subsidies: in the Spring of 2009 CFAA succeeded in obtaining better subsidies for energy conservation retrofits in low rise apartment buildings. Those reforms came in the form of changes to the rules under the very popular eco-Energy Retrofit Incentives for HOMES Program. In March 2010 that program was terminated due to the large take up by homeowners and the budget deficit concerns. The eco-Energy Retrofit Incentives for BUILDINGS Program is still accepting applications; however it will also likely end early. For updates see the CFAA website under "Energy subsidies".

Government status: As of June 2010, the Conservative government is a year and a half into its four or four and a half year term. However, given that this is a minority government, it is unlikely the government will serve that long. Over the past 12 months Conservative support has varied between 40% in October 2009 to 30% in January 2010 at the height of the prorogation dispute. Liberal support has been almost the mirror image of that. The Liberals peaked in May of 2009 with 35% support and reached an all time low of 25% in October of 2010 when the Conservatives reached their height. If an election were to be called now, polls indicate it would result in a continued minority government. The latest EKOS poll dated June 3 shows the Tories with 31.7% support and Liberals at 26.2%. There have been rumours of a Liberal-NDP Coalition, however nothing concrete has emerged.

PROGRAMS CFAA INITIATED

Compensation Survey: 2009 marked the first year CFAA offered landlords an employee compensation survey. The survey included data from roughly 60 major and national landlords, who have reported on a total of over 5,000 rental housing employees in 17 different positions. Compared to the size of the rental base in each city, Edmonton was the city with the most uptake, followed by Waterloo, London, Ottawa and Toronto. The CFAA Board agreed that the

consultant could offer national landlords a survey in 2010, and return to a broad survey in 2011.

CFAA cooperation with CPMA: In March 2010, the Canadian Pest Management Association (CPMA) jointly hosted a conference in Ottawa with CFAA to discuss bedbugs and how they affect landlords. The Conference was well attended. CFAA has developed an information sheets about bedbugs to distribute to member associations for distribution to their landlord members. CFAA is working with CPMA to seek better access to more potent chemical treatments.

CFAA Rental Housing Conference: After our 2009 Conference, CFAA decided that we should expand the Annual Conference, and change its focus to topics of relevance to landlords rather than apartment associations, in order to raise the profile of CFAA among landlords, and particularly large landlords. To do that CFAA organized a two day Rental Housing Conference held on June 14 and 15 in Vancouver with two streams of topics on both days, one stream targeted at senior executives and rental housing investors and one stream aimed at the information needs of property managers.

The first day's focus was Energy and the Environment. Speakers such as CAPREIT's Mark Kenney, Effort Trust's David Horwood, Minto's John Stang, Hollyburn's Paul Sander and Boardwalk's David McIlveen joined with engineers and energy experts and suppliers to discuss a wide range of topics, including the energy price outlook for electricity and natural gas, new energy technologies, energy saving measures and sub-metering.

On the second day, the focus was investment and management. Speakers such as Tom Schwartz, CEO of CAPREIT, Scott Ullrich, CEO of Gateway Properties, Rob Hunter of Devon Properties, David Goodman, Darren Slind of JD Power and Associates, Derek Lobo, Bonnie Hoy, Robert Fleet and others talked about the economic forecast for 2010 and 2011, Vancouver's multi-family sales, attracting and keeping tenants in the digital age, ancillary revenue sources and the effects of the new HST. Most sessions included outside experts and then a knowledgeable landlord to comment. Delegates particularly liked the mix of information that approach provides.

Conference delegates came from a variety of backgrounds. Some were landlords who own seven units, while others oversee 5,000 or more units. Whatever the size of their portfolio, the feedback from attendees was glowing. "Without exception, the speakers were all very knowledgeable," said one delegate. "I enjoyed the theoretical presentation followed by real examples that have been implemented," said another delegate.

CFAA is grateful for the strong support of BCAOMA and ROMS BC, who worked with us to organize quality speakers and to promote the conference to landlords in BC. CFAA also appreciates the support of other associations which promoted the conference in other cities across Canada, including Toronto, Calgary and Edmonton. A total of 180 delegates registered for the conference.

In keeping with our tradition of alternating between West and East, CFAA is now planning to hold its 2011 Rental Housing Conference in Toronto. We will seek to expand the attendance further, and to make the program even better for delegates and for conference exhibitors.

OTHER CFAA NEWS OF NOTE

Working with CAM: The Canadian Apartment Magazine (CAM) approached CFAA about placing descriptions of CFAA's member associations in their Buyer's Guide, which was done. CAM also approached CFAA president John Dickie about writing a regular column for CAM, which is also being done. CAM's publisher, Media Edge, is also posting Video-Reports by the CFAA President, and others, on their website and distributing them to landlords by e-mail.

New CFAA report to members: CFAA is now providing a report for all members, noting federal or national issues and facts of potential relevance to landlords across Canada. We expect the new report to be issued monthly, but it may be on a somewhat irregular schedule depending on the issues and news we collect for distribution and the timing of key events like the Budget or an election.

June 9, 2010