

## **The National Voice of the Private Rental Housing Sector: CFAA**

The Canadian Federation of Apartment Associations (“CFAA”) represents the owners and managers of close to one million residential rental suites across Canada. The private rental housing sector provides four million rental homes for nine million Canadians of all ages, incomes and situations. Of those nine million Canadians, about three million are considered to live in low income households in any given year. Every year, about two out of every three low income renters live in for-profit rental housing, mostly at the affordable end of the rental market. However, due to their low incomes, they struggle to pay their rent.

CFAA and our members believe that a healthy rental market contributes greatly to Canada’s national well-being and economic prosperity. We believe that the policies we advocate will benefit not only landlords, but also taxpayers, low income renters and other vulnerable populations.

CFAA and our members believe that landlords and renters share a common interest in flexible and responsive rental markets, in fair taxation of residential rental property, in high industry standards for customer service, and in housing assistance that supports tenants' rights to choose their housing and to move when and if they please. CFAA advocates reasonable government support for those who cannot adequately address their own housing needs.

## **Economic Impact of Canada’s Rental Housing Sector**

According to an economic impact study of Canada’s rental housing sector by KPMG in 2016, Canada’s rental housing industry:

- Contributed \$69.3 billion to Canada’s GDP;
- Generated labour income of \$30.6 billion and 436,306 Full-Time Equivalent (“FTE”) positions in Canada; and
- Generated more than \$25.8 billion in government revenues in Canada.<sup>1</sup>

## **The Economics of Rental Housing**

The bulk of rental housing is supplied by the for-profit sector through communities’ rental markets, which allocate the available supply according to the effective demand for it. As in other competitive markets, increased costs result in higher prices (rents), while lower costs result in lower prices (rents). While markets adjust to higher or lower costs, rental providers may experience temporary reductions or increases in the return they earn, but higher or lower costs are quickly passed through into market rents. As a result, renters are the people who pay higher rents due to higher costs, or benefit from lower rents due to lower costs. The relevant costs include all the inputs that affect rental providers, including the taxes that are levied on rental properties and rental income.

A major way governments can make rents more affordable is to reduce operating costs, including reducing government charges, taxes or requirements, or subsidizing costs that apply to rental providers. Imposing new requirements on rental providers without off-setting subsidies or tax reductions inevitably results in higher rents. Governments can also improve housing affordability by assisting tenants to pay

---

<sup>1</sup> This value reflects government revenues from income taxes on employment earnings and CPP, EI, QPIP deductions at source and income tax on rental income. Due to limitations in the availability of data, the figure does not include taxes on capital gains on rental property, or on the income of those who build rental housing. The government revenue reported is a component of the GDP impact noted in the first bullet.

their rents, by subsidies to social housing providers or for-profit providers, or by direct financial assistance to renters.

Another way to make rents more affordable is to facilitate or assist new rental development in areas which need it, even at relatively high rents. When new rental projects become available, existing renters often move up, thereby making available the units they move out of. In turn, renters from older, economical units move into the units the existing tenants vacated. That makes affordable rental housing available quickly to those who need it, at a fraction of the cost of subsidizing the construction of what is called affordable housing.

### **Canada's Housing Affordability Crisis: What are the right solutions?**

Many costs for rental housing are within the control of the provincial and municipal governments, which also control many of the factors impeding rental development, such as overly tight rent control, development charges and delays, and uncertainty in development approvals. However, as listed below, and detailed in separate notes, the Government of Canada has numerous **levers** which impact on the costs of providing rental housing:

#### **i. Tax levers:**

The government can improve the tax situation of renters and rental housing in ways which are consistent with established tax policy goals and other policy goals such as energy efficiency and GHG reduction measures and affordability, through modest reforms in the following areas:

1. *Taking advantage of the move-up effect by reducing the GST/HST charged on new rental buildings;*
2. *Treating rental housing as an active business;*
3. *Clarifying the deductibility of major repairs as expenses.*

#### **ii. Housing funding levers:**

CFAA welcomes the National Housing Strategy and in particular its recognition of the advantages of working with the private rental sector, and implementing the new Canada Housing Benefit.

The National Housing Co-investment Fund (NHCF) can support rental housing renewal through needed work, thereby addressing affordability for many vulnerable people. The NHCF can also support new rental housing construction in the areas where people badly need it. However, as presently structured, both the Repair and Renewal Stream and the New Construction Stream of the Fund risk achieving little take up, resulting in few, if any, affordability or accessibility improvements or GHG emission reductions in the private rental sector.

The new Canada Housing Benefit (CHB) can apply broadly in the private rental market among members of priority vulnerable groups who currently do not receive on-going housing assistance commensurate with their needs, but the CHB will not fulfil its potential if it is limited to social housing.

### **Conclusion**

The CFAA wants to work with the Government of Canada to achieve its objectives of assisting vulnerable populations with their housing, and making housing more affordable. The CFAA believes that the Government of Canada can achieve these objectives by impacting the costs of providing rental housing through the tax levers and housing funding levers at its disposal.