

Policy Approaches to Increase Housing Supply

The Challenge

Many Ontarians choose to rent. An increasing number can't afford to buy given the ever-rising cost of home ownership – house and condo prices rose faster in Canada last year than in any other country in the world – while others prefer to rent for the additional benefits and flexibility. Boomers are looking to downsize and young adults want to live where they work.

But Ontario is facing a rental housing crisis. There are simply not enough rental options. In 2016, vacancy rates in Ontario fell to just 2.1%, and even lower at 1.3% in Toronto - the lowest levels since 2001. In addition, Ontario's population continues to grow, especially in urban areas.

As a result, rental units are increasingly unavailable and unaffordable. The cause of this housing crisis is basic supply and demand economics. There is just not enough housing for Ontario's skyrocketing population.

The Solution

The solution is simple – we need to build more rental units for Ontarians to live in. A healthy supply of purpose built rental apartments – not just condos – will provide quality, affordable housing choice. Purpose-built apartments stay in the rental pool over the long-term and are professionally managed.

A recent report from Urbanation revealed that around 34,000 rental units per year need to be built annually to address this crisis. Unfortunately, current projections indicate we are 6,000 units short of meeting this goal. So, how can we get there?

Government has a role to play. Policies can either help or detract from purpose built rental. The following is a list of policy approaches that will help achieve the goal of increasing the supply of rental housing in Ontario:

- Implement a new **rolling exemption for purpose built rental buildings** from rent control, i.e. units after a designated date would not be subject to rent control to encourage new investment. The NDP government of the early 1990's first introduced this concept.
- Modify the rent increase guideline applicable to new purpose-built rental buildings (i.e. not condominium registered) to **inflation plus a certain percentage**. This formula, will provide the modest investment return necessary to ensure continued growth in the supply of new, purpose-built rental housing, while respecting the Ontario Government's intent to assure tenants have reasonable, predictable rents they can afford.
- Rental housing needs **fairness in property taxation**. Rental buildings can be assessed at up to 3 times a single-family home. The government of Ontario has introduced property tax fairness for new purpose-built rentals, but all multi-res rental units need to be assessed at the same rate as single family homes province wide. By legislation, savings would be passed along to tenants.
- Some municipalities have introduced municipal licensing fees for rental units. There should be **no new taxes on industry** that could act as a disincentive to build new supply. Further, Ontario municipalities should implement programs that waive development charges and building permit fees for new purpose built rental. Vancouver has a similar program already in place.
- Rental housing providers should be given the option to **sub meter electrically heated units** like they already can for other forms of hydro so that high energy users bear the increased cost of usage, while energy efficient tenants would be rewarded with lower bills.

- **Maintain vacancy decontrol.** Since 2012 in Ontario over \$5.2 billion in renovations of rental units have taken place as a result of this measure to improve living quality and maintain our purpose built rental housing stock much of which is 35 years or older.

If implemented, these policies would help create a more favourable environment for development and investment in rental housing. This will lead to an increase in the supply of more accommodation options for the thousands of Ontarians seeking rental housing. Let's work together to make this a reality.