

The rental housing challenge and potential responses in Canada's cities

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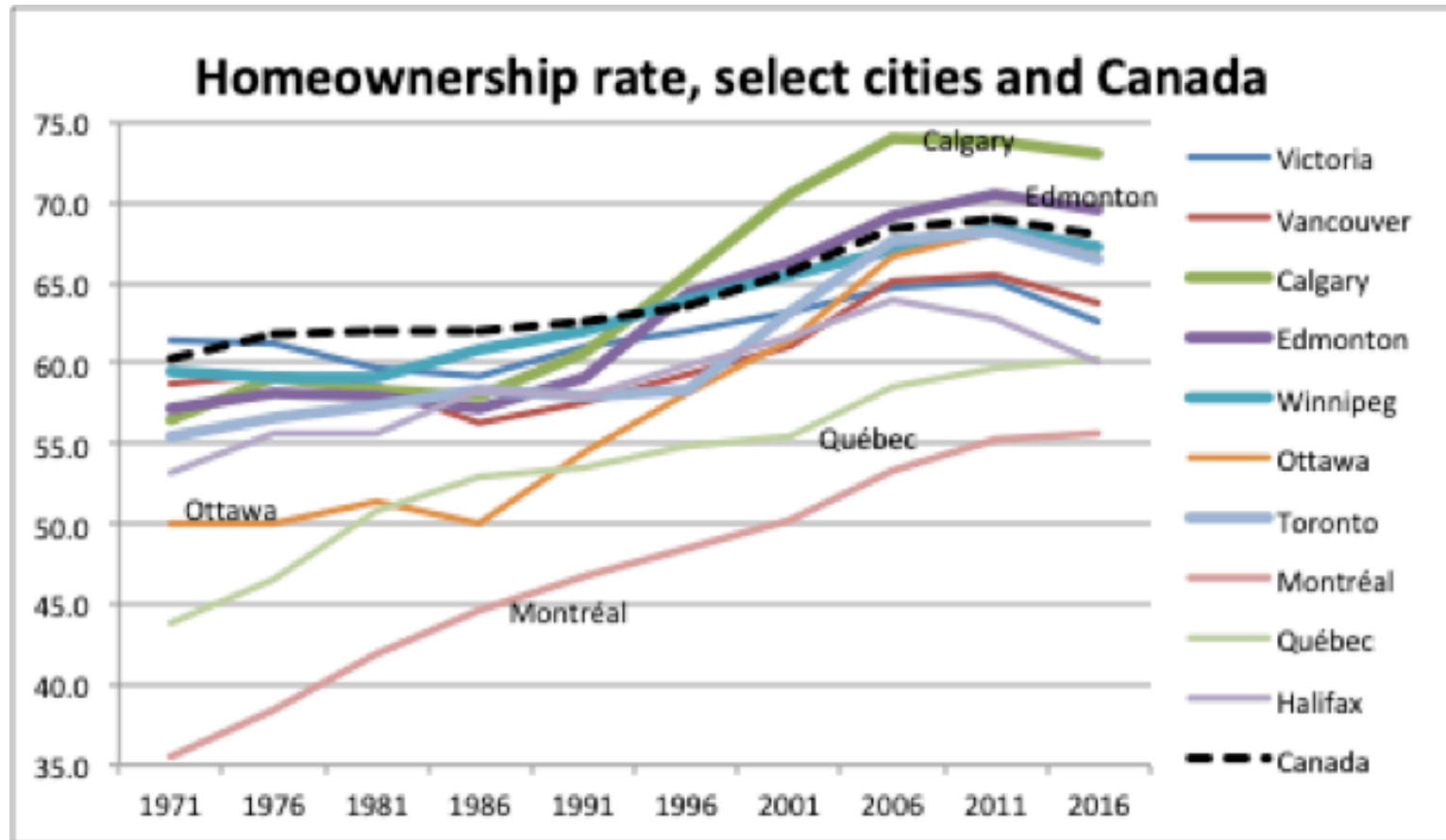
Outline

- Framing the challenge
- Exploring responses
 - Rental feasibility/viability options
 - Larger system change
 - Challenging the system (large scale change)
 - Mayors' role in **leading** new **national** thinking

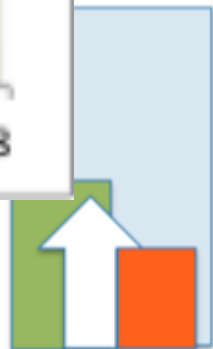
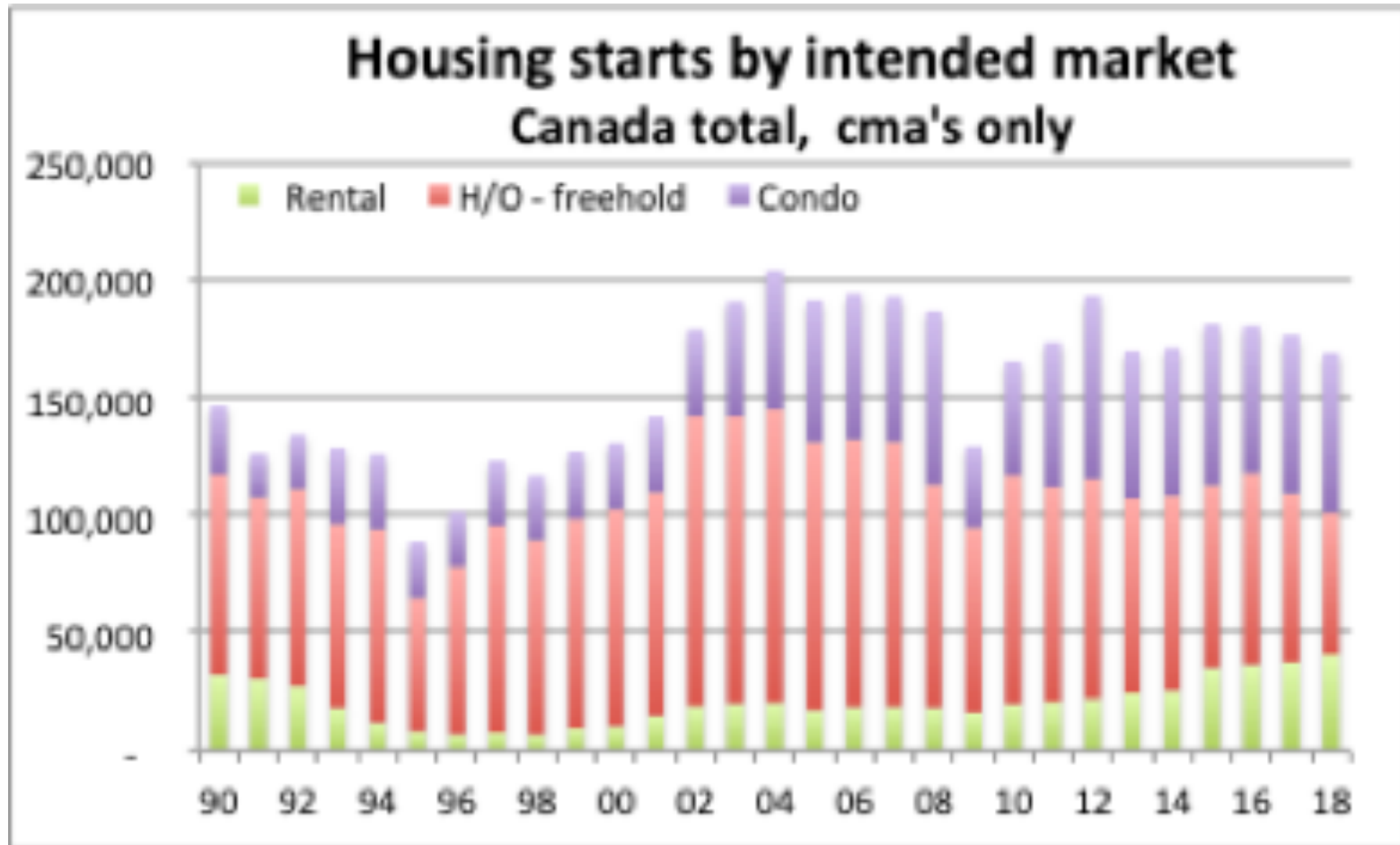


Steady rise in ownership – until last 5 yrs

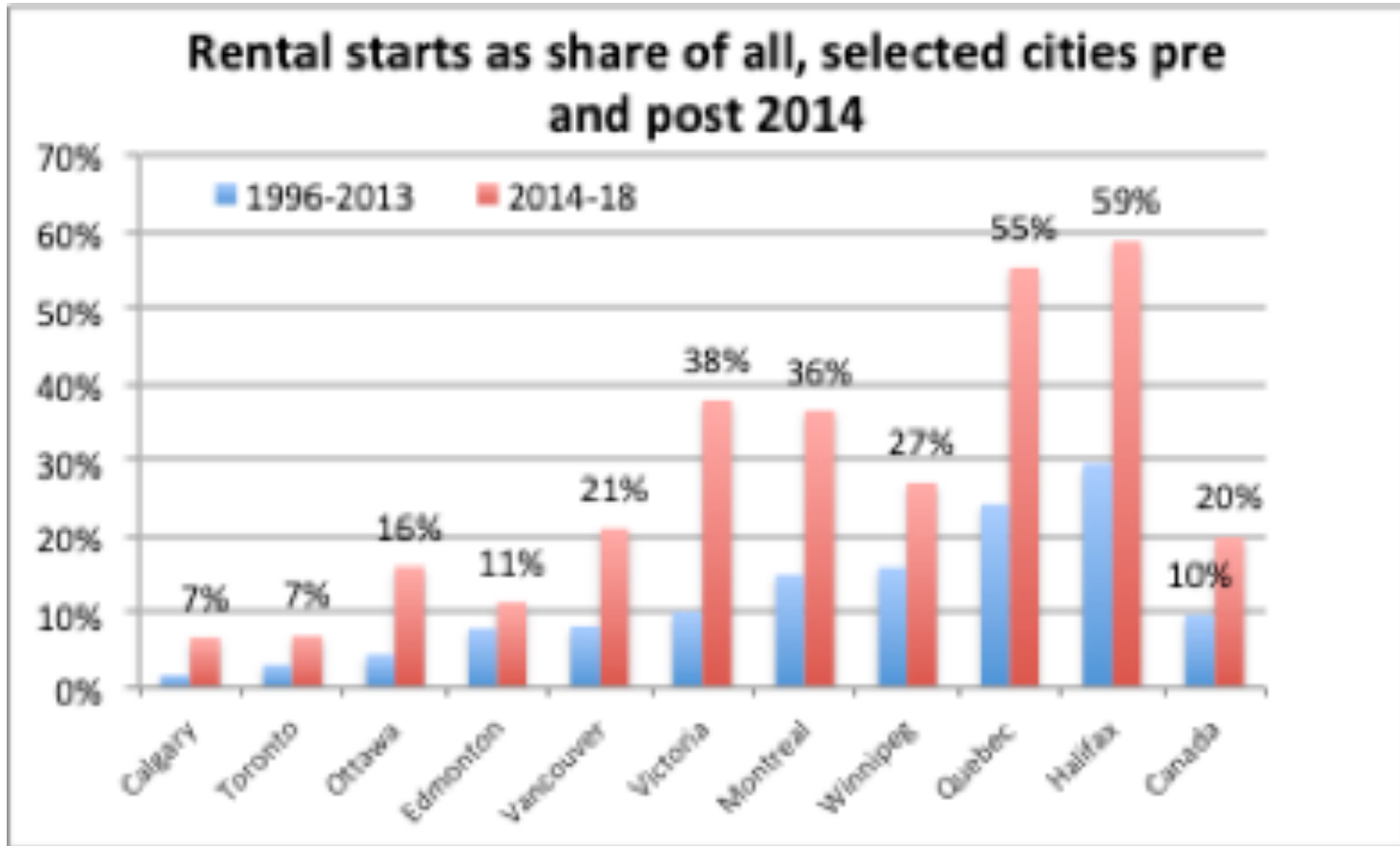
(took pressure off rental sector)



Low level of rental starts

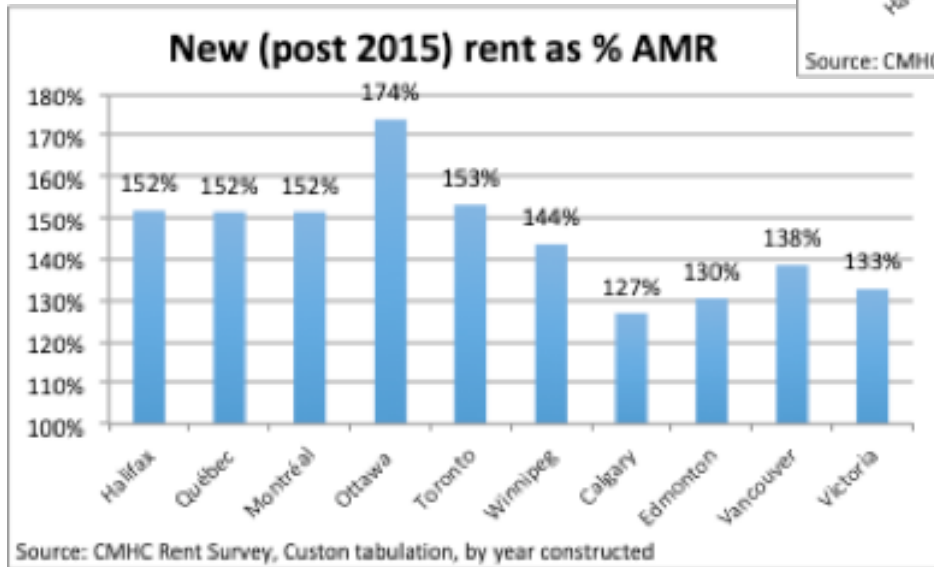
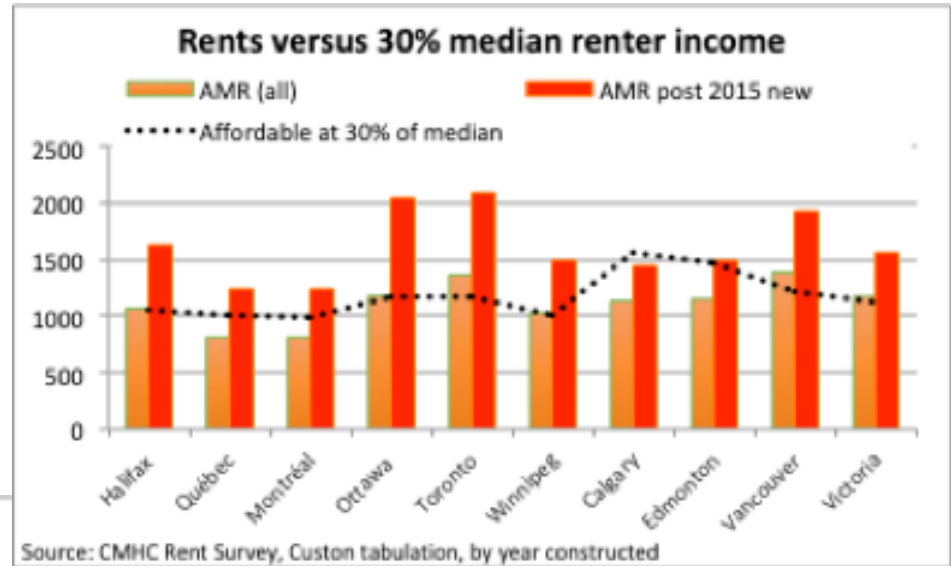


Low level of rental starts



Much higher rent in newly constructed

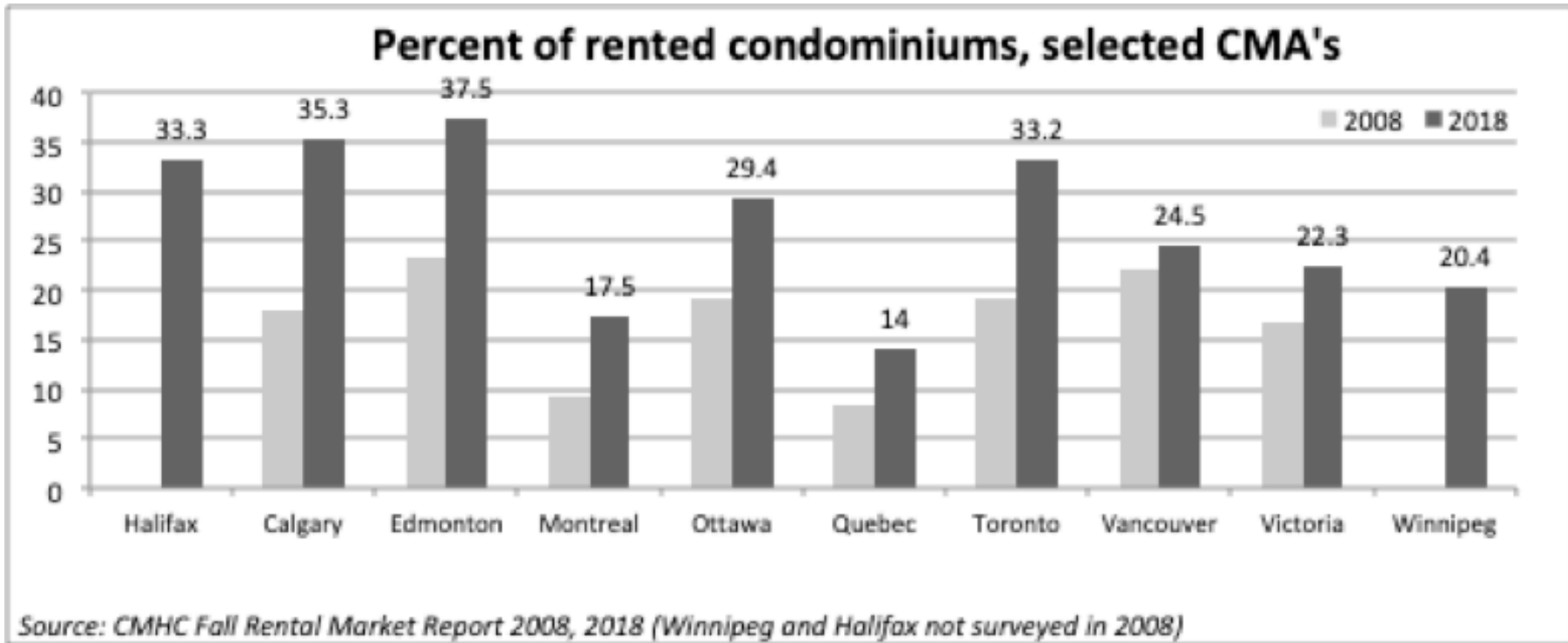
New (post 2015 rents, not affordable to median income renters



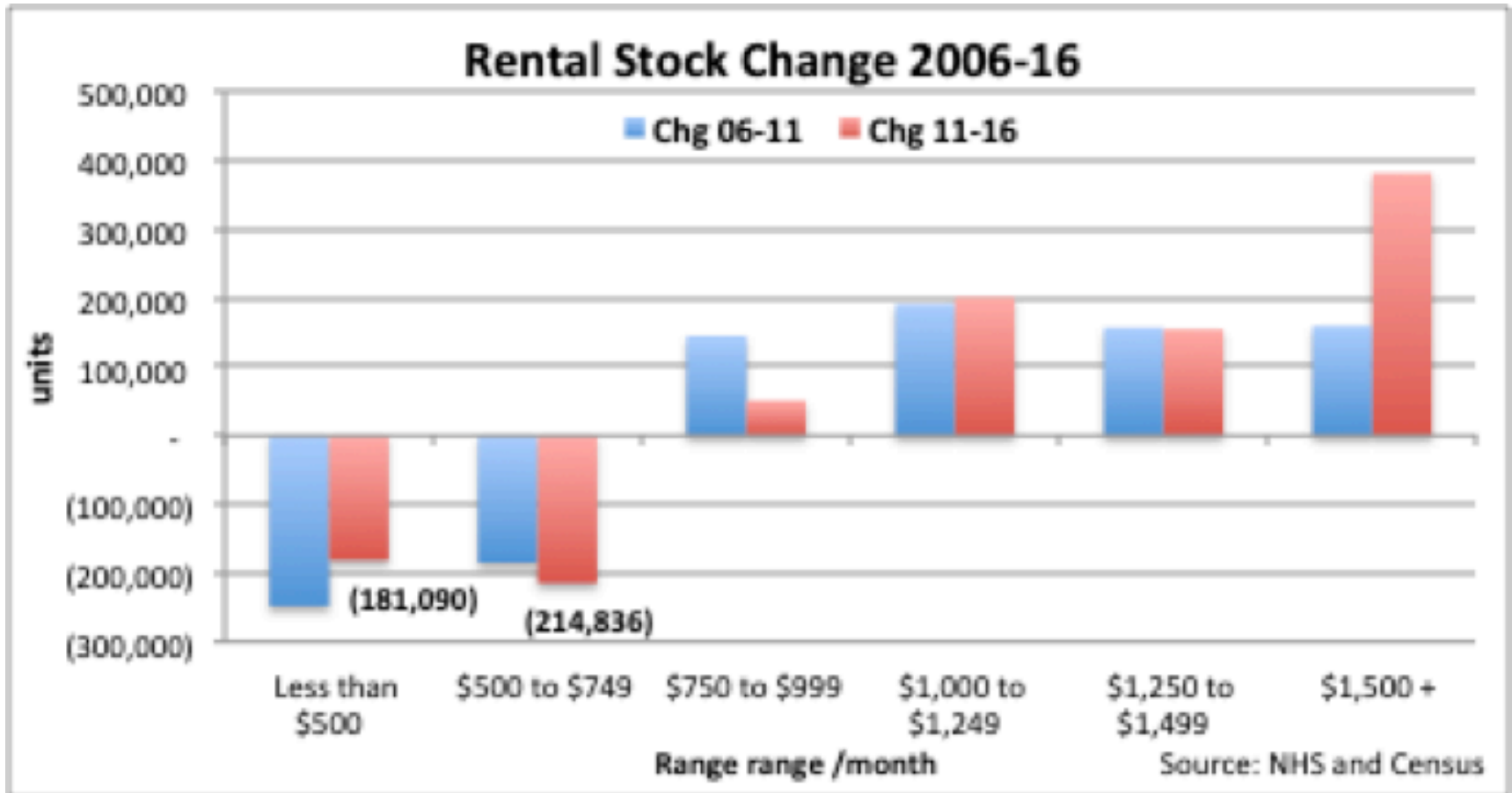
Note:
Edm/Cal – economic downturn;
Van/Vic impact of “affordable”



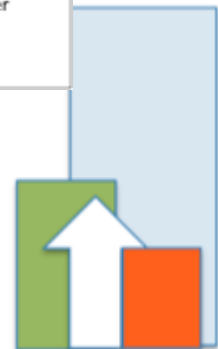
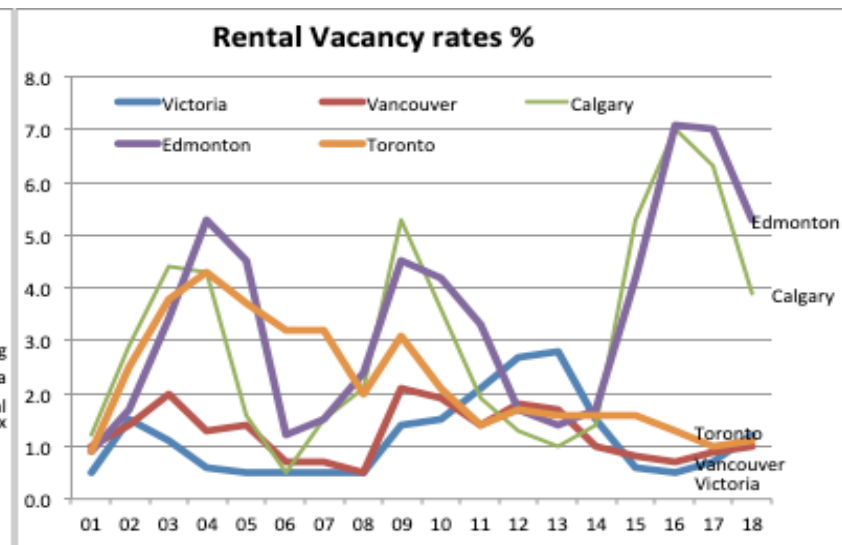
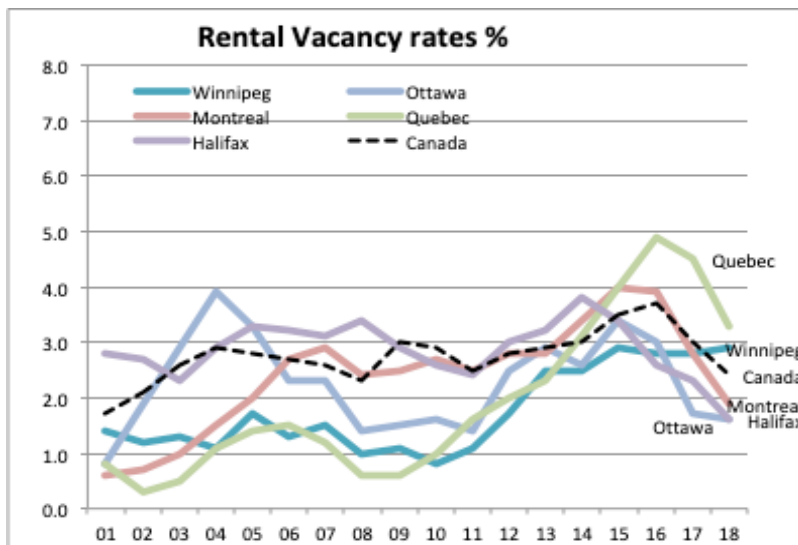
“New” source of rental supply



Erosion of lower rent stock



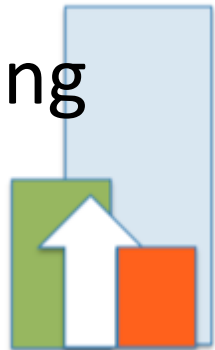
Rental vacancies no so bad until recently (and despite recent rise in new rental starts)



Perfect storm in 1970's undermined rental investment and construction

Set in place long-term conditions for decline of rental sector:

- Introduced Strata Titles – condo (1968-69)
- Tax reform (1972, 1986)
- Rent Regulation (1975)
- Inflating costs (1970's)
- Demographic effect – weakening and shifting demand



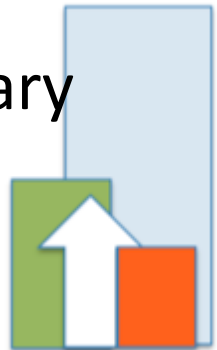
Low and intermediate rental market

- Shortages across lower half of rental market
- New supply up, **but** at much higher rents
 - Affordable Housing (NHS etc.) targets below 100% Average Market Rent (AMR)
 - Newly constructed (post 2015) tend to be prices 160%-170% AMR
- Absence of new supply in the “intermediate market” 100% to 160% AMR
- **Key challenge = stimulate intermediate market construction**



Responding to the Challenge

1. Capital cost reductions (*Land)
2. Reduced operating expenses (incr financial leverage)
3. Low cost financing or favourable underwriting criteria
4. Planning and regulatory mechanisms (IZ policy)
5. Municipal (public) land banking
6. Targeted measures - Different horses for different courses – institutional investors, small investors
7. Addressing erosion and displacement
8. Reducing demand for rentals to remove inflationary pressures



Most impactful measures

- Land related mechanisms via surplus public lands and potentially land banking (CMHC Finance)
- Planning mechanisms related to up-zoning and extracting public gain, especially around transit TOD sites;
- Planning policies to permit and incent small scale infill (with unit size maximums) and secondary suites
- Partnerships with institutional investors seeking to place long term patient capital; and
- Facilitate a non-profit community sector role in developing market rate or income mixed product



Challenging Systems

Minor housing policy tinkering will NOT remove the rental housing challenges!

- Present problem scale needs major action
- Future economy will be metropolitan
 - Growth, ‘poison for the poor’ in renting
- Greatest growth in most globally connected places

City mayors/metropolitan authorities will be confronting Globally, Nationally driven difficulties and opportunities but with limited Local resources.

WHAT IS TO BE DONE IN WIDER CONTEXT?



Changing Actions (1)

Mayors need to **lead** new **national** thinking

1. City-metro scale is the 'home' of policy
2. Housing actions need to be designed system-wide rather than sector (rental) specific
3. Set housing in strategic, master-plans and integrated infrastructure/service delivery.



Changing Actions (2)

Mayors need to **lead** new **national** thinking

4. Rethink vertical fiscal imbalance: multi-order 'city led-deals' for housing and infrastructure
5. Debunk emerging economics rhetoric that problem is all your fault (municipal plans).
6. Make a better case that Housing is productive ECONOMIC Infrastructure

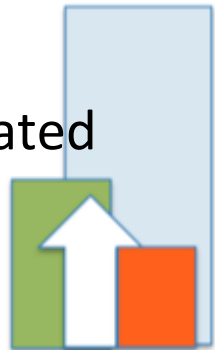


Thank you!



Responding to the Challenge (1)

- Capital cost reductions
 - Land
 - Innovative design – new wood-frame options
 - Waiving DC and Permit fees
 - Expediting approvals
- Reduced operating expenses
 - Utility cost
 - Property tax rates
 - Income tax treatment of rental investment
- Low cost financing or favourable underwriting criteria
 - RCFI
 - Aggregating small providers to access financing (newly created Canadian Housing Finance Agency)



Responding to the Challenge (2)

- Planning and regulatory mechanisms
 - Effects land value uplift = public benefit
 - Use of inclusionary policy – especially re TOD
 - Accessory suite, small scale [infill \(e.g. Portland\)](#)
 - Reduced/except parking
- Municipal (public) land banking
 - City plus prov/fed surplus land
 - Vancouver Land Trust Model
 - CMHC financed land assembly (especially TOD)



Responding to the Challenge (3)

- Targeted measures - Different horses for different courses
 - Incenting institutional investors
 - Incenting homeowners re accessory suites
 - Encourage/enable non-profits to build intermediate market product (RCFI)
 - Planning and regulatory mechanisms



Responding to the Challenge (4)

- Addressing erosion and displacement
 - Rental replacement policy
 - Enabling NP acquisition – revolving loan acquisition Fund (e.g. Montreal FIM)
- Reducing demand for rentals to remove inflationary pressures
 - Enable FTB access (2019 budget)
 - Student housing incentives

