

## **Attachment 5: Impact of proposed program fees on rent**

### **Background regulations around rent in Ontario**

The *Residential Tenancies Act, 2006* (RTA) governs the landlord and tenant relationship in Ontario and sets parameters around raising rent. There are restrictions on raising rent for buildings occupied for residential purposes before November 1, 1991, as well as certain other buildings. For these properties, every year the provincial government sets the guideline percentage by which landlords can increase their rent. The provincial guideline increase is calculated annually with reference to the Consumer Price Index. The guideline increase for 2017 is 1.5%.

Under certain circumstances, the RTA allows a landlord to apply for an above guideline increase to the Landlord and Tenant Board. An increase in the cost of municipal taxes and charges or utilities is extraordinary if it is greater than the guideline plus 50% of the guideline. For 2017, this would mean an increase of 2.25% or greater. It is possible that the registration fee proposed in the report may be included in the calculation of an extraordinary increase in municipal taxes or charges.

### **Analysis of impacts of proposed fees on rents**

#### *Buildings occupied after November 1, 1991*

Buildings occupied for residential purposes after November 1, 1991, and meeting other RTA requirements, are generally *not* subject to restrictions on rent increases; therefore, property owners could pass the registration fee on to tenants. There are approximately 56 buildings with 4,264 units in this category (2% of all units, see table A1-1 for further details).

#### *Current tenants in buildings occupied before November 1, 1991*

Buildings occupied for residential purposes on or after November 1, 1991, are generally subject to restrictions on rent increases. There are approximately 2,667 buildings and 242,617 units (86% of all units) in this category. Each year, rent can increase by the guideline, which is 1.5% in 2017. A registration fee of between \$8.00 and \$13.00 per unit per year represents a small percentage of monthly rent, and may be able to be passed on to tenants with a guideline rent increase. For example, a registration fee of \$13.00 per unit per year represents 0.05% increase in rent for a \$2,400 per month unit and 0.14% increase in rent for an \$800 per month unit.

In a situation where the fee exceeds the provincially mandated guideline increase, it is possible that property owners may attempt to bundle the registration fee with other increases in municipal taxes and utility charges to trigger the necessary criteria to apply for an above guideline increase. To do this, the total increase to rent would need to be 2.25% or higher, based on the 2017 guideline.

#### *Rent in vacant units*

Vacant units are not subject to rent increase restrictions; the registration fee could be passed on to new tenants.

Table A1-1: Private buildings and units in program by year built\*

<b>Year built</b>	<b>Number of buildings</b>	<b>Percentage of buildings</b>	<b>Number of units</b>	<b>Percentage of units</b>
1991 or earlier	2,667	91%	242,617	86%
After 1991	56	2%	4,264	2%
Unknown	220	7%	36,836	12%
<b>Total</b>	<b>2,943</b>	<b>100%</b>	<b>283,717</b>	<b>100%</b>

\*Based on 2015 data from the Municipal Property Assessment Corporation

Ultimately, the City does not regulate rent increases and cannot provide any assurances that these costs cannot be passed on to tenants through a guideline or above guideline increase. Given the above, staff worked to develop a program with as low a registration fee as possible to minimize the impact on tenants in the case that it was passed on to tenants through increased rents. The registration fees proposed in options A through D, if passed directly to tenants in the form of a rent increase, would result in an increase of between \$0.67 and \$1.08 per month.