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# LS15.3- Rental Apartment Buildings: Results of Public Consultation and Proposed Regulatory Regime

Real Property Association of Canada Comments on Proposed Regulatory Regime

November 30, 2016

The Real Property Association of Canada ("REALPAC") is Canada's senior national industry association for owners and managers of investment real estate. Our Members include publicly traded real estate companies, real estate investment trusts (REITs), private companies, pension funds, banks and life insurance companies with investment real estate assets each in excess of $300 million. The association is further supported by large owner/occupiers and pension fund advisors as well as individually selected investment dealers and real estate brokerages.

Many of REALPAC's members own and operate considerable rental housing properties in the City of Toronto, and have been actively following the City's ongoing consideration of a rental housing licensing policy. REALPAC and our member companies would like to thank staff for organizing the September 16th industry consultation and for the fulsome, transparent conversation with our industry representatives as it has unfolded thus far. We are eager to continue discussion of this very important topic.

Members of the commercial and rental real estate industry have significant concerns that this proposal is an unnecessary imposition on landlords and renters alike, and would urge City policy makers to consider another policy tool as a way to improve compliance with City bylaws and standards. Improving the overall quality of Toronto's rental housing stock is an important and laudable goal; one that should be shared by all rental housing providers in the City of Toronto. Our membership would commend City policy makers for their efforts aimed toward this objective, but disagree that a regulatory framework is the ideal way to achieve it.

We understand that the intended goal is to strengthen the City's response to noncompliant landlords, and those who are delinquent in the City's orders to improve the living conditions within privately held buildings. The commercial real estate industry questions the need to create a regulatory regime. We would further contend that proposed regime will not necessarily change the behaviour of 'bad landlords'. It may even have a collateral damage effect in that it will increase inefficiency and red tape and hamper housing and rental affordability in the City of Toronto.

**Questionable effectiveness of the licensing program**

Proponents of a rental housing regulatory framework indicate that it would ensure a healthier, long-term rental community for the future, and that somehow, almost automatically, Toronto's rental housing stock will improve in quality. City staff have indicated that the program would improve the overall living conditions for tenants, highlighting building maintenance and tenant engagement. In our view, the regulatory concept would only improve tenant living conditions if it were complimented by an equally effective enforcement mechanism that bound landlords to some form of required remedial action. In this sense, the City doesn't need a licensing program, to

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improve enforcement, it can improve enforcement by enhancing existing municipal licensing and standards processes which are already effective.

**Potential housing affordability challenges**

We consider the proposed framework as a potential factor that may affect the affordability of the rental market for many of Toronto's residents. We believe that City staff should consider the economic chain reaction that may occur if an additional charge is placed on the Toronto landlord community. There is risk that even at the lowest increment cited in the staff proposal ($8), that this cost could be passed on to tenants through applications to the Landlord and Tenant Board for an above guideline increase.

**Specific suggested actions and amendments to proposal**

1. **Council should accept Option "D" as preferred funding model.**
In our view, the more preferred funding mechanism would have the most minimal impact on reputable landlords in Toronto. Therefore, Option "D" which would apply an $8 inspection fee and would be most fair for landlords, of all the options presented. Furthermore, we believe that non-compliant landlords and building owners who are consistently the focus of investigations should be a greater focus of cost recovery strategies. We support any system in which costs are recovered from the tax base and bylaw-non-compliant landlords, predominantly.

2. **Do not require reporting of number of occupied units**
The proposal includes a requirement that building owners and landlords report the number of presently occupied units. For publicly-traded rental housing companies, this information is sensitive in nature and can affect their competitive market position. Companies in the commercial real estate industry agree that this information should remain private. The information contained within capital plans can also affect market position and should remain private as well. We request that Councillors omit any requirement to report this information through the framework being considered by Committee.

We hope that City staff policy-makers carefully consider these perspectives and recommendations as they develop policy solutions aimed at improving Toronto's rental housing stock. We look forward to continuing this very important conversation moving forward.

Respectfully submitted,

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