



Session #406:

## Partnering with the Private Sector for Housing Solutions

Presented by: Mike Chopowick (Federation of Rental-housing Providers of Ontario)



## Outline

- About FRPO
- Private rental market stats
- Insights into the tenant selection selection process
- Defining the affordability problem
- Workable Solutions

## About FRPO

Federation of Rental-housing Providers of Ontario

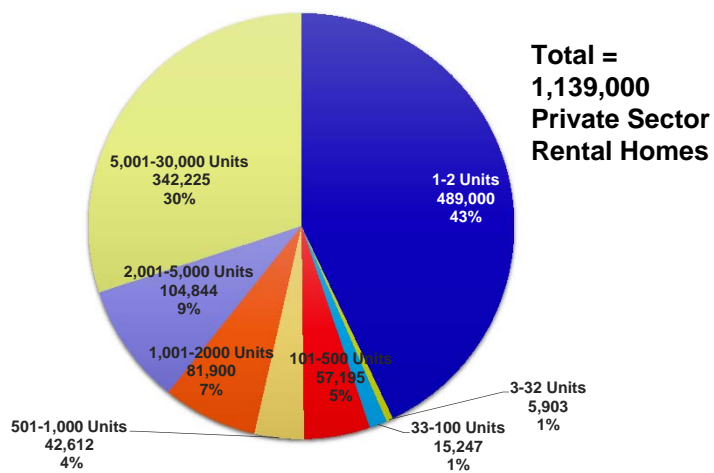
- Created in 1985 to provide voice for private sector rental housing
- Provides advocacy, legal information & education to landlords and property management staff
- Created the Certified Rental Housing (CRB) Program in 2009
- Represents 2,200 owners and managers of over 350,000 rental homes



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## Number of Private Sector Apartments by Provider Size

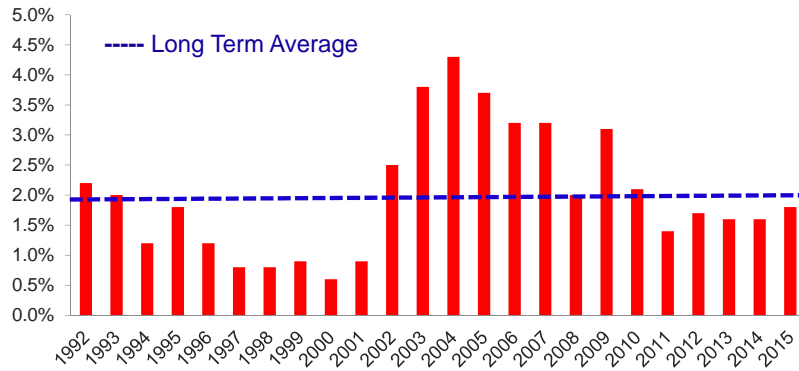


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## Vacancy rates lower, but still more than double the late-1990's lows

Avg. Vacancy Rate (Toronto)

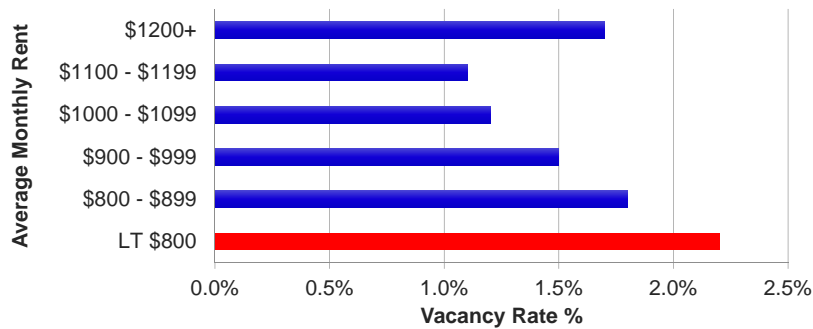


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## Vacancy Rates Vary by Rent Range

Vacancy vs. Rent (Toronto CMA 2015)



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## Almost 14,000 Vacant Private Sector Rental Units

Centre	April 2015 Total Rentals	Vacancy Rate	Vacant Units
Barrie CMA	3,489	1.7%	59
Brantford CMA	4,510	1.8%	81
Greater Sudbury/Grand Sudbury CMA	11,401	4.6%	524
Guelph CMA	6,527	6.0%	392
Hamilton CMA	42,443	1.8%	764
Kingston CMA	13,436	2.8%	376
Kitchener-Cambridge-Waterloo CMA	29,168	2.9%	846
London CMA	42,733	3.8%	1,624
Oshawa CMA	11,291	1.7%	192
Ottawa-CMA	60,516	2.8%	1,694
Peterborough CMA	5,888	4.0%	236
St. Catharines-Niagara CMA	15,844	3.1%	491
Thunder Bay CMA	5,286	4.7%	248
Toronto CMA	307,942	1.8%	5,543
Windsor CMA	14,989	4.9%	734
<b>Ontario 10,000+</b>	<b>631,326</b>	<b>2.5%</b>	<b>13,805</b>



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## Tenant Selection Issues

- Discrimination/Human Rights Code Issues
- Ability to pay vs. Source of income
- The rent dispute process leads to increased scrutiny of rental applicants



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## Tenant Selection Process: Common Q's Landlords Ask

- Why are you moving?
- When do you want to move in?
- How many people will be moving in?
- Have you ever been evicted?
- Do you have pets or smoke?
- Have you ever been convicted of a crime?



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## Tenant Selection Process

- A rigid standard screening process for all applicants.
- Landlords are operating a business and must protect against losses.
- Common to ask for photo ID like a driver's license, health card or, passport.
  - Confirm photo, legal name, address and DOB.
- Small landlords typically have a selection process that is less onerous than larger landlords.



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## Avoiding Discrimination

- *Employment History*

Landlords cannot turn down an application because there is no or limited employment history – e.g. immigrants, women out of workforce

- *Rental History*

Cannot turn down an applicant who has no rental history (new to country, new to rental)

- *Credit Ratings*

Cannot equate the absence of a credit rating with a bad credit rating



## Compliance with Human Rights Code O. Reg. 290/98

- A landlord may consider credit references, rental history information and credit checks
- A landlord may request and consider income information from a prospective tenant only if the landlord also requests credit references and rental history
- If a landlord only obtains income information about a prospective tenant, the landlord may consider the income information alone.
- Can require a guarantor. Can require a deposit.



## Defining the affordability problem for renters

- Housing affordability caused primarily low/stagnant incomes vs. high rents

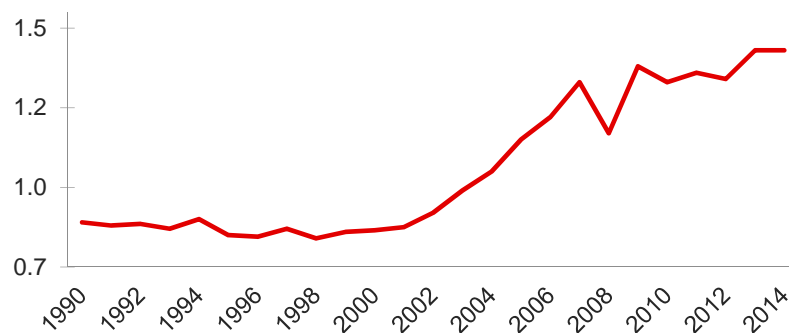


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## Housing Affordability Problem Largely Defined by High Homeownership Costs

Ratio of House Prices to Rent



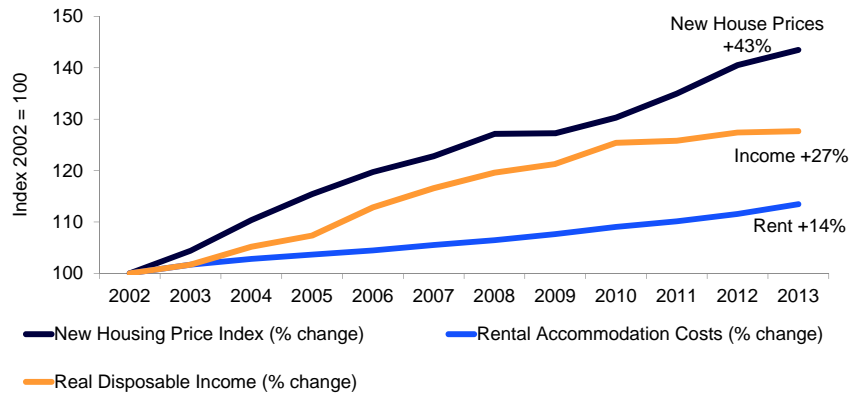
Sources: CMHC: MLS Average House Price and Average CMHC Market Rent Ratio. 1.0 = Long Term Average



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## Ownership vs. Renting Gap Continues to Widen



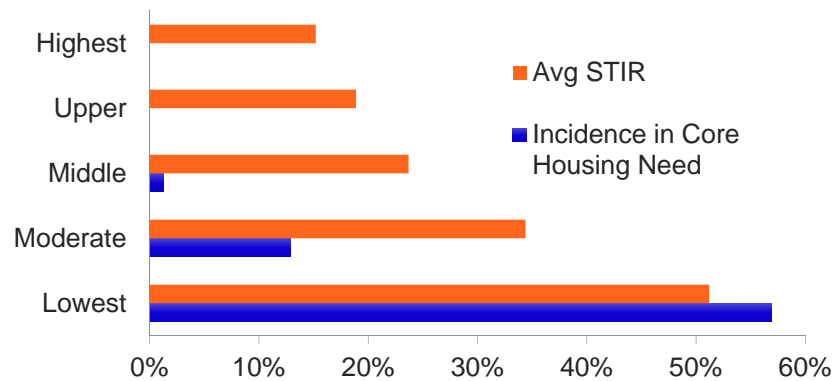
Source: CMHC 2014 Housing Observer, Ontario Economic Accounts 2014



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## Renter Households in Core Housing Need by Income Quintile



Source: CMHC Canada Housing Observer 2014



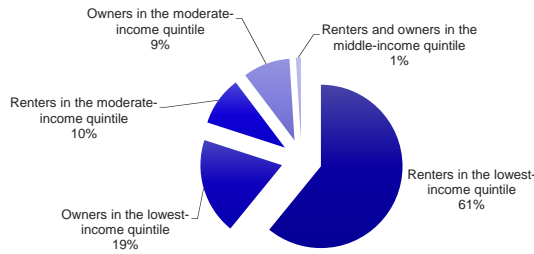
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## Some renters will always have a need for housing assistance

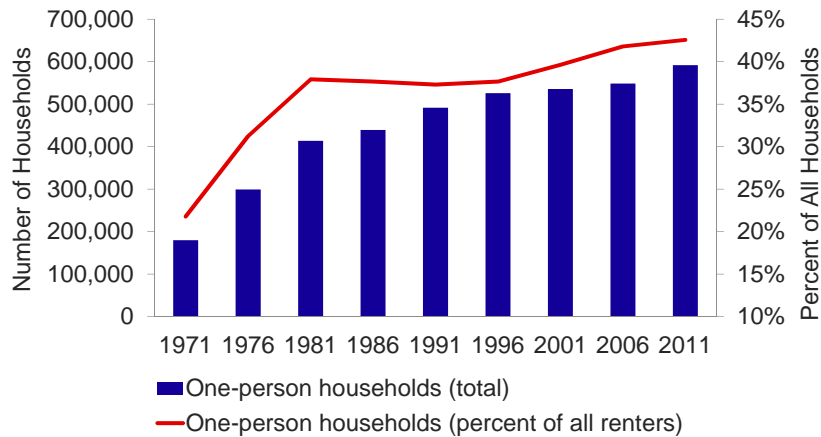
Over 80% of urban households in core housing need are in the lowest income quintile



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## Growth of One-Person Renter Households

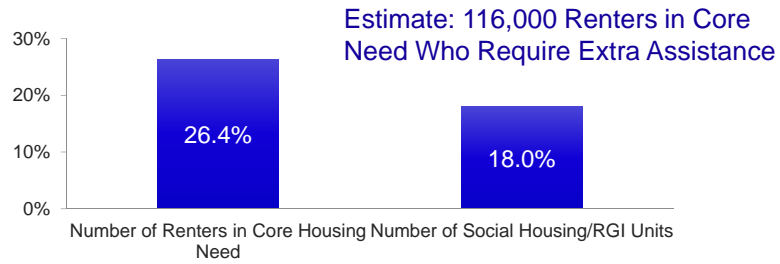


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## The challenge: 1 in 4 renters in core housing need

- In 2011, 26.4% of Renters in Core Housing Need
- 18% of Rental Units are Social Housing/Rent-Geared-to-Income



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## Solution: A Well-Designed Housing Benefit for Renters



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## Success of a Housing Benefit for Private Sector Tenants Depends on Design

- Does not “inflate” rents
- Anonymous
- Portable – based on tenant eligibility, not rental unit location
- Employed recipients are eligible – minimize reliance on OW
- Administratively simple
- Substantial enough to improve affordability
- Eligibility based on high shelter cost ratio



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## Current social assistance programs can inflate rents

- Current social assistance programs have set housing allowances that they call “100%” of rent coverage, but with low maximums. This has had unintended effects:
  - Landlords know what the maximums are. Some routinely set rents for people on OW and ODSP to the plan maximums. This has the effect of inflating rents.
  - Governments sense that increasing this benefit is expensive while providing very little help to those with the highest housing costs. For that reason, they have been reluctant to increase it.



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## Solution: Subsidize a per cent of the affordability gap

- The “gap” is the difference between the actual rent people have to pay and the contribution amount (the amount they are **capable** of paying).
- The amount that should be paid to the recipient in the form of a housing benefit would be a percentage of this gap.
- Example: Housing benefit pays 75% of monthly rent and eligible shelter allowance



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## Housing Benefit Example

Hanifa's Finances		Calculating Her Benefit	
OW basic needs	\$374	Rent	\$700
OW shelter allowance	\$595	Minus OW shelter allowance	- <u>595</u>
Child benefits and other credits	<u>\$733</u>	Gap between rent and shelter allowance	= \$105
Total income before housing benefit	\$1,702	Housing benefit pays 75% of gap	<u>X .75</u>
Total income after housing benefit	\$1,781	Equals Hanifa's monthly housing benefit	\$79



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## Questions

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