



**February 2012**

## **CFAA POLICY STATEMENT**

### **Housing Policy in Areas of High Temporary Accommodation Demand**

Municipalities may sometimes experience a temporary spike in demand for accommodation, due to a City holding a World Fair, or a special event like the Olympic Games, for example. Public policy makers can become concerned about the impact on rental housing and may consider conversion controls or stricter rent or price controls. This policy statement suggests that a more effective policy response is to allow the markets for accommodation and rental housing to operate as freely as possible. Eliminating or reducing restrictions on the supply of accommodation, even temporarily, will allow a rapid increase in the supply, thus mitigating any negative effects on rental housing supply, and mitigating price increases for accommodation to the benefit of tenants and visitors.

#### **The Reality of the issue**

Public policy makers can be concerned that rental housing will be converted into hotel type accommodation in order to gain the high room rates that may be available for the short period of the event. Realistically such conversions will be limited in number. Most landlords do not have the expertise or the inclination to become hotel keepers. More importantly, there are significant costs to a conversion in lost rent, renovations, the provision of furniture, linens, dishes and possibly housekeeping services, together with the organization of the whole operation. The experience of Montreal and Calgary with the Olympic Games, and Winnipeg with the Pan-Am Games, shows that very few conversions are likely to occur in practice.

#### **Changes in rental supply**

What is a realistic possibility is that an owner or developer who plans to convert a rental property into a suite-hotel type operation within a few months after the event will advance the conversion to capture the rental rates available during the event. That will reduce the rental supply by a small amount. However, the same incentive exists for a developer who planned to convert some time before the event to delay the conversion until shortly before the event in order to have all units available for the event. Some building upgrading might also be delayed until after the event in order to take advantage of the lower labour and material costs which are likely to follow the event. Those two delayed changes will increase the rental supply until the event takes place or after it. Taken together, the reduction and the increase in rental supply should come close to cancelling each other out.

Another factor is the extent to which accommodation is built for the athletes or other participants in the event and brought onto the rental market soon after the event. That may well result in a net increase in rental supply.

#### **Letting the rental market and accommodation market work**

When markets are left free to work, they do an excellent job of adjusting for such temporary changes in demand. People move a great deal in our society, and at each move people decide whether to rent or to buy. Each move also creates an opportunity for a gap between accommodation, for example by placing furniture in temporary storage and sharing accommodation with family, or scheduling a holiday or living temporarily at a second

residence, such as a cottage or ski chalet. Those possibilities are examples of demand side action by individuals that will reduce the impact of the temporary spike in demand for accommodation. By not increasing controls in the rental market, the government will allow the market to work, and that will mitigate the effects of any net changes in demand and supply.

### **Appropriate Government Measures to Facilitate Increased Supply**

Governments can have greater helpful effect on the supply side. Since the increase in demand is temporary, the supply side measures can also generally be temporary, although they could be somewhat longer than the event in question, or permanent to facilitate long-term solutions in areas with chronic shortages of rental housing. Some useful specific steps would be the following:

- Allow the rental of rooms or suites in all zones (either temporarily or permanently)
- Allow the rental of houses and apartments for short terms in all zones (either temporarily or permanently)
- Expedite land use, planning and building approvals for renovations and suite additions
- Allow accessory suites without planning approvals (either temporarily or permanently)
- Allow employers to provide temporary accommodation in areas zoned non-residential
- Allow builders to sell houses with temporary accessory suites in new sub-divisions
- Make surplus government buildings available for conversion to temporary or permanent housing or other facilities
- Facilitate the expansion or addition of manufactured home parks
- Facilitate the market for accommodation through listings of suppliers
- Allow hotel uses temporarily in buildings built for sale or rental.

### **Mitigating the Effect of Increases in Demand**

As addressed above, the Canadian experience is that the temporary increase in demand for accommodation does not have any significant deleterious effect on rental availability or cost. Imposing stricter controls on conversions or rent levels could create the very shortages that are feared. Monitoring rent levels and rental availability closely will indicate whether any significant changes are taking place in the rental market. If problems occur, then the government could mitigate the effect of such changes on low-income households through demand-side measures. Using the shelter allowance or housing allowance programs already in place in most provinces, governments could:

- Supplement housing allowances or shelter allowances paid to low income residents temporarily
- Ensure that the program design does not increase demand at the margin by providing the increase or new allowance based on the tenant's income rather than their rent level
- Limit any increase in the allowance to those who move during the month or two before the special event or when a particular problem manifests itself
- Announce and implement assistance measures quickly, if needed.

### **Conclusion**

Most of the specific measures suggested are the responsibility of the provincial or municipal governments. By the various means listed, the supply of accommodation can spike upward during the special event to match the spike in demand, which will solve the dual problems of availability and price levels of rental housing, as well as for hotel type accommodation.