



Federation of Rental-housing
Providers of Ontario

20 Upjohn Rd., Suite 105
Toronto ON M3B 2V9
416-385-1100
1-877-688-1960
www.frpo.org

Tony Irwin
President & CEO
t: (416) 385-1100 ext. 20
e: tirwin@frpo.org

HUMA COMMITTEE
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Tony Irwin OPENING REMARKS

- Thank you, Mr. Chair.
- Good morning, my name is Tony Irwin.
- I am the President and CEO of the Federation of Rental Housing Providers of Ontario or FRPO for short.
- FRPO has been a leading voice of the rental housing industry for over 30 years.
- We represent more than 2,200 members who own and/or manage over 350,000 rental homes across the province.
- FRPO is also a founding member of the Canadian Federation of Apartment Associations or CFAA.
- Today, I'm pleased to have the opportunity to address the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities as it reviews financialization of purpose-built rental housing in Canada.
- On Tuesday, you heard from my colleague, John Dickie, President of CFAA.
- John briefed the Committee on the various segments of the rental market, and how a dollar of rent is split between operating and capital expenses and what is left over as net income.

Cost of Major Repairs

- Today, I am going to brief the Committee on the cost of major repairs and building modernization of rental apartments.
- Our apartment stock is aging in this country. In Ontario, over 80% of the existing purpose-built rental stock was built before 1980 – making it over 43 years old.
- These buildings require significant modernization. Even with regular maintenance, building elements eventually reach the end of their useful life and must be replaced.
- This includes everything from roofs, balconies, heating equipment, elevators, windows, underground parking structures and other building elements.
- Replacing any one of these could easily cost 20% of the total annual building revenue, and this is before all the other expenses.
- Figure 3 on Page 4 of the joint CFAA-FRPO submission shows real-life examples from four different buildings in Ontario in 2022.
 - A new roof cost \$442,000 or 18% of the gross rent for the year in one large apartment building.
 - In other buildings, elevator refurbishment, garage concrete restoration, and new windows cost 17%, 48% and 81% of the gross rent respectively.
- These are significant costs for work that is needed to keep buildings safe and structurally sound, or to improve energy efficiency of elements such as old windows.



Ontario's Rent Control System

- So how do we pay for essential building modernization?
- In Ontario, our rent control system consists of several major pillars, including:
 - A maximum guideline rent increase tied to CPI. This has a hard cap of 2.5%, a level significantly below current inflation, and
 - An ability to apply for an above guideline increase, or an AGI, to cover a portion of the cost of major repairs.
- It is important to understand that the AGI process is highly regulated:
 - AGI's are capped in legislation to a maximum 3% rent increase per year over a 3-year period.
 - An AGI application can only be made after the work is complete.
 - The application must meet all criteria set out in provincial legislation in order to be approved by the Landlord & Tenant Board.
- In most cases, rental housing providers are only able to recover part of the cost of the repairs through AGIs due to the cap.
- Some have argued that AGIs should be removed.
- However, with the annual rent increase guideline capped at 2.5% and operating costs increasing at a much higher rate, there is no other mechanism to fund essential repairs.



- As I mentioned earlier, 80% of Ontario's purpose-built rental stock was built before 1980 – if we are not able to make essential repairs and replace building elements and share the cost with residents, the stock will slowly go out of commission.
- This is in a context of a significant supply shortage of purpose-built rental housing across the country.
- In Ontario alone, FRPO commissioned reports conclude that we need over 300,000 net new rental units over the next decade to address the supply gap.
- And AGIs are an essential component that makes Ontario's rent control policy framework viable to operate rental buildings.

Conclusion

- The current housing affordability challenge in housing, both rental and ownership, is fundamentally a supply problem. We are not building enough housing including purpose built rental to keep up with demand.
- The right policy approach to tackle this challenge should focus on incentives to drive more public and private investment in construction of new rental projects across the country.
- Policies that further restrict capital investment in a sector grappling with a significant supply shortage will only make matters worse.
- Thank you for your time and I would be happy to take any questions.

