

EASTERN ONTARIO LANDLORD ORGANIZATION (EOLO)
SUBMISSION TO THE CITY OF OTTAWA
ON AFFORDABLE HOUSING IN COMMUNITY IMPROVEMENT PLANS

REVISED December 26, 2022

About EOLO

The Eastern Ontario Landlord Organization (EOLO) consists of the owners and managers of more than 45,000 residential rental homes in Ottawa, as well as many suppliers to the rental housing industry. EOLO has been the leading voice for private rental housing providers in Ottawa since 1990.

Our members range from the largest rental housing providers in Ottawa to the owners of one or two rental units. Through a special arrangement with them, the Ottawa Real Estate Investors Organization (OREIO) is a corporate member of EOLO. OREIO represents many small-scale rental providers and developers. An OREIO leader sits on the EOLO Board.

EOLO's large members primarily own or manage existing rental buildings of more than 6 units in size. Some EOLO members also develop new rental buildings or homes for sale to owner-occupiers. Some have been doing so for over 50 years, and are very well known throughout the community.

EOLO's smaller members, and OREIO's members, primarily own and manage small residential rental properties. They also include many investors who develop small rental buildings, or add additional dwelling units to existing single family homes.

EOLO's OVERARCHING COMMENTS

EOLO has long been pointing out the need for more rental supply and more well targeted housing assistance.

As a result, EOLO supports steps to encourage the creation and rehabilitation of affordable housing through Community Improvement Plans.

The following comments respond to the questions in the Workbook prepared for the City's Stakeholder Advisory Group.

1. What do you feel are the main gaps in housing options to meet the need of Ottawa residents?

EOLO sees three main gaps in this order:

1. The lack of sufficient supply of rental units in purpose-built rental buildings;
2. The lack of sufficient targeted financial assistance for low-income renters;
3. The lack of sufficient supply of rental housing suitable for families, which can best be provided through town house developments and the secondary rental market, and especially additional dwelling units.

EOLO wants to emphasize that creating affordable housing which is occupied but people who do not need it is a waste of the limited government resources applied to it. It is essential that housing made affordable through government subsidies or incentives is occupied by households which need the assistance each year. That drives our support for targeted financial assistance for low-income renters, such as portable housing benefits and rent supplements.

It is not well known that household move in and out of core housing need rapidly. In a key longitudinal study, CMHC found that of households in core housing need in a particular year, one third of them leave core housing need the very next year, being replaced by new households. In the second year, another third of the original group leave core housing need, being replaced by yet other new households. (Core housing need is often the result of family breakdown or temporary unemployment.) Hence, the benefit of attaching financial support to the household. The household can be given the support quickly, and the support can be shifted to another household when the first household does not need it anymore.

2. What are the main challenges associated with the provision of affordable housing in Ottawa?

The main challenges are the main costs of housing , namely:

- Construction costs
- HST
- Time delays and uncertainty (which costs money).

Time delays and uncertainty arise from opposition to affordable housing projects, and even to market-oriented, purpose-built-rental housing.

Prior to Bill 23, other costs afflicted affordable housing development, including development charges, community benefit charges and parkland dedication. In total, those could easily amount to \$60,000 per unit or more. Those costs alone added up to \$300 to the monthly rent that needed to be charged for an average rental unit.

3. Are the identified Areas of Focus representative of key areas that can be assisted through incentives? What other Areas of Focus could be included?

EOLO agrees with the areas of focus suggested. We would put especial focus on purpose-built rental housing for studios, one-bedrooms and two-bedrooms apartments. For three or four-bedroom rental units, we suggest a focus on townhouse developments and family size units as additional dwelling units (ADUs).

For tiny houses, we suggest a focus on coachhouses as ADUs. We believe that land costs would make tiny houses uneconomic on stand-alone lots, unless the City were prepared to allow the creation of tiny lots.

4. Of the incentives outlined, which do you think would be most effective at increasing affordable housing?

The most effective incentives are loans or deferrals of City development fees (including parkland or cash-in lieu-of parkland, site plan control, etc) by way of converting them to a city loan. The loan should not require the commencement of repayment until after the building has its occupancy permit and is stabilized. The loan should have a fixed period of repayment (say 10 years), similar to other similar programs (such as the lead pipe replacement program).

Such a loan program for affordable housing would help significantly by increasing the ratio of appraised value to initial out-of-pocket costs. Such loans would defer a large amount of costs which now must be covered upfront by working capital. The deferral in the form of a loan which becomes a special charge on the property tax bill, is generally excluded by appraisers, and as such, does not inhibit the financial exit such as a refinance used to payout the construction loan and recoup the working capital. The deferral can include interest at a low-end market rate, thereby reducing the life-cycle cost to the city to close to zero, while improving the economics of projects.

Another effective incentive for purpose-built rental housing would be Tax Increment Equivalent Grant (“TIEG”) programs to encourage development by using the incremental increase to municipal property taxes as the result of development to fund the development. That applies especially to purpose-built rental housing.

TIEG programs do not work well for ADUs, and are not needed for ADUs, because ADUs do not tend to raise the tax bill on a property very much. The bulk of the tax bill on a property with an ADU is in the value of the land, some in the value of the main building, and only a relatively small amount in the value of the ADU.

5. What goals and objectives could be considered as part of a “tiered” approach to incentives?

An intelligent objective is to incent the creation of modestly affordable housing. If the affordable target requires a rent gap of \$500, then subject to administrative costs, two new rental units with a \$250 rent gap could be incented for the same amount of money.

Such modestly affordable units could be targeted to people at the upper end of the low-income spectrum, reducing pressure in the rental market for the benefit of those lower in the low-income range. However, such targeting does reduce the focus on households in the most need, where resources should be directed until those needs have been brought down from their extremes.

6. Are you aware of any creative CIP programs in other municipalities used to incentivize affordable housing?

No.

7. In addition to a City-wide program, are there any specific locations in Ottawa where it may be beneficial to further incentivize affordable housing development?

No, not that we can think of now.

8. Additional comments/information?

Under some programs, the creation of affordable housing is subsidized without any requirement that the on-going occupants need the housing assistance. We would reiterate the importance of ensuring that the housing is used on an on-going basis for people who need the assistance, in order to make the best use of scarce resources.

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