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Columnists Dr. Landlord

# How to fix the affordable housing crisis

By Chris Seepe - Jan 14, 2022 10

The affordable housing crisis is incredibly complex and crosses all boundaries and lines of government, political parties, high- to low-income groups, societal demographic groups from millennials to seniors, health-related groups and many other definitions of need.

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Despite the uninformed opinions of tenants, their advocates, some media and public housing agencies, government does not have the money to make a dent. Even the federal government's 10-year \$40-billion housing plan could generate only perhaps 18,900 units/year across Canada.

Most government solutions such as speculation taxes, banning "renoviction," a \$1-million home tax, foreign ownership taxes and so on all add cost to housing, making it more unaffordable despite political optics.

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housing. Rather than regurgitate symptoms and causes, the following are actionable items to create immediate and near-immediate results to alleviate housing availability and affordability. Space here doesn't permit explanations, so contact me if you wish a fleshed-out version of these items.

- CMHC insures public agencies (not landlords) to enter into multi-year "head lease" agreements with landlords to guarantee rent, operating costs and damage coverage if the agency can't meet the obligation
- Use Correctional Services to establish inmate training program for housing construction skills and trades. Use a selective labour force to construct affordable social housing while incarcerated (with conditions/limitations) or on parole
- Lenders won't finance affordable housing. CMHC should lower its super-conservative (exaggerated) expense allocations to make net operating income reflective of the real-world market and substantially improve the application process
- Provide incentives to unlock the tens of billions in residential property equity
- Duplicate the condo-construction model for public housing. Require a reserve for inevitable upgrades, and the same as required by the Cemetery Act for grounds maintenance
- Promote a rental housing tenancy agreement similar to the triple net commercial lease for residential rentals. Tenants pay for services they consume but tenants legislatively control these costs to benefit from savings
- The construction industry retiring labour force is much higher than incoming talent. Create incentives for people to enter construction trades
- CRA treats owner-managed rental properties as active income, not 50 per cent passive income tax
- Amortize capital expenses over three years, not an average 15 years
- Reduce or remove the Capital Cost Allowance repayment ("Recoverable")
- In Ontario, require MPAC to base residential investment property on actual NOI (especially income affected by rent control) and abandon inflated "should be" income values. Apply a "true" local market cap

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rate for a specific building type within narrow geographic boundaries

- Equalize property taxes for all rental properties. Many municipalities levy two to 2.5 times more tax on rental properties than single-family homes. Tenants pay property taxes, not landlords
- Government should not construct any general purpose rental housing. Instead, finance construction of community infrastructure. Builders will invest without incentives. Adopt measures similar to European post Second World War reconstruction, especially France, U.K. and Germany
- Adding a second suites is the most effective and least expensive infill new-build affordable housing option. Remove the many disincentives especially in the brutal Residential Tenancies Act
- Implement the U.S. low-income housing tax credit. Housing providers reserve low-rent units to earn corporate income tax credit
- Offer tax incentive to co-living tenants and homeowners. Provide personal tax deduction to tenants who embrace a co-living lifestyle
- Establish a rent control de-scaling formula. Guideline restrictions loosen as housing availability stabilizes demand with supply. Create incentive first for the market. Nothing lost if goal(s) not met
- Investigate “war profiteering” by the Canadian insurance industry, since 2020 was one of the industry’s most profitable years, in the middle of a global pandemic. Extortionist profits add significantly to rental and purchased home unaffordability
- Use federal housing program money to increase tenant rent supplements and allow the market to find its equilibrium. Market rent supports maintenance and growth of municipal infrastructure
- Expand Housing Investment Corp. to deliver long-term, low-cost and insured financing to housing non-profit organizations and co-operatives through a bond issue for cautious investors
- Compel municipalities to use all available funding sources before receiving federal or provincial monies, especially contributions-in-lieu for parklands. The GTA surplus is more than \$5 billion
- Create financial incentive(s) for seniors to sell their larger-than-needed homes and to age in place in smaller, less bustling communities
- Much inflation and unaffordability is caused by goods and services shortages due to a massive entry port backlog. Escalate the issue to national “crisis” status







national "crisis" status

- Study the 1960s rental housing construction boom. Eighty-two per cent of all rental housing in Ontario was built before 1979 – mostly in the 1960s. Research why
- Remove/reduce provincial/federal sales tax on rental property operations expenses
- Remove municipal embracing of NIMBY-ism
- Reassess priorities of housing and intensification vs green space and parking
- Electricity is a major housing contributor to unaffordability. Create corporate tax write-off (not "rebate program") for landlords (not homeowners) to install solar power generation. Sell electricity back to the grid with the profit to recover installation investment. Government fund R&D of long-term, environmentally friendly solar power battery storage solutions
- Provide builders with tax credits (not incentives) to construct alternative housing styles – multi-generational homes, energy-efficiency efficient space design
- Compel municipalities to allow quick-and-easy approvals for alternative affordable home types like tiny homes, container homes, laneway homes, coach houses

Government adds substantial costs to housing affordability. Reducing taxes is not the answer but neither is adding more tax costs to property. We collectively need to vote for politicians with the political will and courage to make unpopular decisions to redistribute existing tax revenues to where they will have the most social benefit, rather than where it will gain the most votes.

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 **Chris Seepe**  
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