From: Hannah Wood
To: Office of the Legislative Counsel
Subject: submission for law amendment rent cap
Date: November 1, 2021 12:19:04 PM

** EXTERNAL EMAIL / COURRIEL EXTERNE **
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My name is Hannah Wood, and I am a Nova Scotia resident and housing activist. While I am very happy to see the rent cap extended by this government I would like to raise attention to a few issues concerning it:

- The rental increase cap must be tied to units and not to tenants. Reits; notably Killam properties have over 20% of their units averagely turn over yearly and this is when they do the majority of their higher amount increases. By allowing the loophole of increasing between tenants, this encourages reno-viction and tenant harassment or neglect in order to be able to raise the rent higher then the 2% by getting rid of them.

There is also still nothing in place to make sure when a landlord says they are moving in a family member to a unit (and thus allowed to ask a current tenant to vacate)that they actually are. While I do not think all landlords or companies are plotting these types of behaviors; if they did not occur there would not be the community outrage and emergency situation around these matters that we have now. Any situation that allows for a more than 2% rent increase will see that occur.

I strongly recommend the government take all the recommendations of the " key to a secure housing future for all Nova Scotians" policy created by the Canadian council of policy alternatives, published May 25th, 2021.

Thank you.

Bill 62

Respectful & Understanding - A Landlord’s Perspective

Bryan Wiens

Introduction

- Bryan Wiens
- 2 rental properties, 7 units total
- Investment in lieu of a pension
- Purpose: Create safe, affordable and enjoyable living experiences

The Challenge

- Prices in Nova Scotia are rising
- Homelessness and poverty are problems we all want to solve
  - 12.1 per cent of Nova Scotians lived below the poverty line in 2019 (Affordable Housing Commission Report)
- There are landlords who take advantage of housing supply mismanagement
- We are all in this together

Prices are Rising

- "Most landlords have been **respectful and understanding** to their tenants during these very difficult times and I would like to thank them for that," - Honorable Colton Leblanc

"There are, however, a few that say they will raise their rents by as much as 100 per cent and have made the continuation of this interim measure necessary.“

- Is it “necessary” for the government to protect against price raises of as much as 100%?

2021/22 Snow Plowing

Snow Plowing:

- 2020/21: $1,349.00 (season)
- 2021/22: $2,200.24 (season)
- Increase of $851.24 or 63%

Dear Bryan:

View our 2021/2022 Snow Removal pricing and service details below. We look forward to your continued business!

Residential Snow Removal Contract

- **Full-Season Coverage** - The season runs November 1st – April 30th and you are covered for all of it!
- **24/7 Response Times** - We operate 24/7, and during the holidays!
- **Email Updates** - Receive an email update before we begin clearing, so you know when to expect us!
- **Satisfaction Guaranteed** - We have a 100% satisfaction rate and many 5-star reviews to prove it!
- **VISA and MASTERCARD Accepted** - Sign up with your credit card and automatically get billed. No cheques needed!
- **Ice Control Services Included** - Ice Control application applied after Snow Clearing has been completed as required. (Salt, Sand, and/or Ice Melt)
- **Return Visit During Big Storms** – After we service all of our clients during large storms, we come back around to clear any snow left at the entrance of your property from the plow!
- **Contract Includes up to 100"** – Our seasonal contract insures up to 100", if we happen to approach 100", we will notify you and with your approval we will continue at a per visit rate which is listed below. We have calculated the last 20-year seasonal snow fall average. Since the season of 99/00, our seasonal average is 225.69cm. We add an additional 10% making it 250cm/approx.100".
- **Snow Removal Contract Overage** - Once we have reached 100" of snowfall according to Environment Canada, you will be charged per visit. **Price Per Visit - $137.65+HST**

Price - Split into 2 Equal Payments (subject to 15% hst): 2200.24

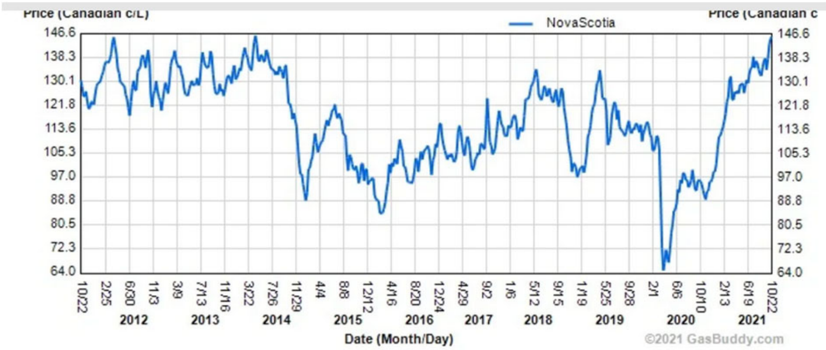
“Unfortunately, with labour, supplies/materials, insurance, and fuel costs that have increased astronomically over the last two years we have been forced to increase our prices.” - ___ Lawn Care & Snow Removal, October 29, 2021

2021/22 Insurance

- Last year’s rate: $227.20/mo
- This year’s rate: $315.20/mo
- Increase: $88/mo or 39%

Other Cost Increases

- Gas prices have increased 65% since November 2020
- Tenants working from home (electricity and water)
- Mortgage interest rates expected to rise



(GasBuddy.com)

If massive increases are a concern of the government, why am I capped but not protected?

Meaningful Consultation

“We look forward to consulting with stakeholders in these sectors upon forming the government before making any decisions on how housing is delivered in Nova Scotia.” – PC Party of Nova Scotia

- *How and when did meaningful consultation happen?*

Public Input & Expert Recommendations

Spring 2021 – NS Affordable Housing Commission made 17 recommendations for 60 meaningful actions

Rent cap beyond the Covid emergency was rejected – "Discontinue these measures once the time limit outlined in the Direction is reached."

Recommendation #14

Enhance renter protections, equitable access, and better-functioning conditions for rental housing

THE ISSUE

Acknowledging the right to housing, we need to ensure tenants are treated fairly and without discrimination, including protections against involuntary displacement. There is also a need to create more awareness around tenant rights and obligations, and landlord obligations. While some see rent control as an anti-poverty safeguard against displacement, gentrification, and economic evictions, we need to carefully consider all its potential effects

The Action

- Maintain the current temporary measures established through the Direction of the Minister under the Emergency Management Act until February 1, 2022 or when the Provincial State of Emergency is lifted, whichever comes first.
- Discontinue these measures once the time limit outlined in the Direction is reached.
- In collaboration with municipalities, tenants, landlords, and other stakeholders, explore opportunities to support eviction prevention, provide temporary assistance to low-income households facing evictions due to planned renovations, improve access to legal aid services, and consider developing retention plans to prevent the loss of long-term renters that are at risk of being priced out of their neighbourhood.

Why is the government rejecting the studies and expert input?

Bill 62 - Why 2%?

- Nova Scotia’s All-Items Consumer Price Index (CPI) increased 5.2 year-over-year in September 2021, ticking upwards from the 5.1% year-over-year increase in August. – Nova Scotia Finance and Treasury Board

2 – 5 = A problem

- Is Bill 62 evidence that the government being "respectful and understanding" to Landlord small businesses?

+2%

<u>-5.2%</u>

-3.2% x 2 years = -6.4%

With population influx expected to be higher than new builds will the problem be less at the end of 2023?

The Dilemma

Considering government pensions, the cost of services and the cost of other necessities like groceries:

Is it out of the question to think that we can find a respectful solution that demonstrates that we are all in this together?

Steps Toward a Thoughtful Approach

1. Listen to the experts (NSAHC)
2. Never set rate caps lower than inflation
3. Establish a way for Landlords to appeal to raise rents that are substantially below market value
4. Meaningful consultation prior to future decisions

Thank you

Bryan Wiens
[redacted]

URCHIN
PROPERTY MANAGEMENT INC.

Attention to:
LAW AMENDMENTS COMMITTEE

November 1, 2021

BILL 62: Impact statement Rent Control 2% on property owners

When reading through the proposed Bill 62 and the extension of rent control capped at 2% for the next two years, I kept asking myself "what could I possibly say or present to the Law Amendments Committee and its members that they have not already heard? What difference could I possibly make?"

After months of discussions, endless supply of logical explanations and statistics – Landlords are still faced with bearing the burden of governments and society's failure to address housing issues.

The name "Landlord" has become a dirty word. We are depicted as being bad, slum landlords that do not care. But we do. And that is why I am writing to you today – I wish that I had the opportunity to personally appear before you this evening at the hearing but unfortunately all time slots were taken. I wish I had the chance to introduce myself and my company to you. I am one of many landlords, belonging to an industry of professionals, small and medium sized business owners – good people. Hardworking people. When Covid hit and shut everything down, when government agencies and organizations closed, and people went home - we did not. We go to work every day to ensure that our properties are maintained and kept safe for the tenants that live there.

I am a second-generation property owner and property manager. My daughter who now works with me, is the third generation of a family run business. My family has been operating and managing properties in the Metro area for over 35 years. Not only do we provide housing to others, but we also provide employment and create jobs in industries related to operating properties. Our properties generate thousands of tax dollars each year. We are utterly and completely dependent on successful apartment rentals, happy tenants and generating sufficient rental income to not only maintain our properties and pay all the costs, but also to feed our families and those of our employees.

I will give you a "simple" example of how the rent cap of 2% affects us financially by using 2 wood-frame buildings we manage in the Dartmouth area:

The average monthly rent for a two-bedroom apartment in both buildings is $840 and includes heat and hot water.

The 2% rent cap means we are allowed to increase the monthly rent by $16.80

Insurance costs have increased by 41% in the last 3 years or, on average, by $1,855 annually. This equates to an insurance cost increase of $6.44 per apartment per month.

Property taxes have increased by $2,610 over the last year. This equates to a tax increase of $9.06 per apartment per month.

URCHIN
PROPERTY MANAGEMENT INC.

The increase in both insurance and property taxes ($15.50/month) alone eat up 92% of the $16.80 we are permitted to increase the rent by. This leaves us $1.30 per apartment per month to cover all other increases we have been subjected to ranging from utilities, materials and labor needed to service the properties and the needs of our tenants.

A rent cap of 2% is clearly not sustainable for landlords. We will be forced to make cuts to any costs that we can directly influence and control to pay for the ones that we cannot. What exactly does that mean and where would we be forced to make hard choices?

Apartment turnovers: On average, it costs approximately $1,000 to prepare an apartment for re-rental. This covers a thorough cleaning and a complete unit painting. Rarely are we able to re-rent an apartment without doing anything to it. If there are damages, the costs will range anywhere between $7,000 - $10,000 to replace flooring, repair drywall damages, fix plumbing, unit painting and cleaning. If an apartment needs to be completely gutted and undergoes a full renovation, the cost can be as high as $30,000 - $35,000. These costs are paid out of operating cash flows a building generates.

Under a 2% rent cap which does not even cover the increase in costs properties are subjected to and limits the amount of rent an apartment can command, Landlords will use operating cash flow and margins to first to pay for taxes, insurance, utilities, maintenance work mandated by law.

Subtracting approximately 60-70% for operating costs of older buildings as the above mentioned from the average $840 monthly rent, a landlord will have anywhere between $250-$330 per apartment left over to pay for things such as apartment turnovers and that does not consider scenarios where tenants do not pay their rent. Using this oversimplified calculation, it will take 4 months to pay for a simple turnover and up to 120 months for a complete renovation.

Many of us have their life savings invested in these properties – under these conditions, why would anyone want to remain a landlord? It will become financially more viable for a landlord to keep an apartment that needs to be repaired for re-rental, off the market then to fix it up.

There are approximately 5,000 small landlords in Nova Scotia. If every one of those landlords were to keep only one apartment off the market because he/she cannot afford to fix it up for re-rental, this means 5,000 less places for people to call home. But even it was only 100 less, can Nova Scotia really afford to lose more housing in a housing crisis?

Sincerely,

U Prossegger

Ursula Prossegger
President
Urchin Property Management Inc.

Submission to Law Amendments Committee
RE: Bill 62 – Interim Residential Renal Increase Cap Act
Law Amendments Hearing November 1, 2021

From:
Amanda R. Knight
Small Landlord, Business Owner and Developer
Investment Property Owners Association of Nova Scotia (IPOANS) – Working Board Member
Nova Scotia Affordable Housing Commission - Participant
Antigonish, Nova Scotia

My name is Amanda Knight. I am a small landlord and I am a small business owner. I own 5 properties, which consist of 13 doors in Colchester and Pictou Counties, as well, I manage properties in the Town and County of Antigonish and CBRM. I am also a small developer with a focus on "attainable" housing for areas outside of HRM.

We have all heard the one-off rent increases in the double and triple digits and the greedy landlords who are pocketing this money, but what about the majority of landlords who increase rent incrementally or haven't increased rent in years? What about the majority of landlords who do go above and beyond? I would like to share a couple of stories from my perspective as a landlord.

Prior to the rent cap being invoked, I had discussed and provided notice to one of my tenants for a $50/mo rent increase (9% based on his current rent). He was quite amenable to having this increase plus paying his own power as his unit had been neglected by the previous landlord over the years and he recognized that in order for things to be improved, his rent would have to go up. He has lived in this unit ***since 2008 with one rent increase during that time plus my proposed increase***. His unit is well under market rent, even in its dated condition.

When the rent cap came into effect, ***I was only able to increase his rent by $11/mo***. My power bill went up $25/mo and my heating cost went up $65/mo and this does not include the rising cost of water, maintenance, repairs or insurance. To put this in further perspective, if this tenant had received an annual 2% rent increase from the time he moved into his unit until today, his rent would have increased by $151/mo taking him from paying $550/mo in 2008 to $711/mo in 2021, still well under market rent. ***He currently pays $561/mo inclusive of heat, power and water.***

In 2022, under the extended 2% rent cap, I get to increase his rent again by $11/mo. I recently had my oil tank filled up at this property where I saw my oil cost increase from $0.85/litre to $1.13/litre, over a 30% increase. If oil does not exceed $1.13/litre, my heating costs will go up over $1300 this year while I will be able to collect just over $130 under the extended 2% rent cap.

I have also had the opportunity to show a couple of units that became available over the past 6-8 months to prospective tenants. Another topic that is not being discussed, is the reality that people are fully aware they have been getting a deal and have been paying well under market rent for years.

I showed a property to two single moms who were paying $600/mo for a 2 bedroom. My place was $1100/mo for a 3 bedroom and when I asked why they were looking to leave their current home, they said the new owners were imposing too many rules that they didn't like (no kids toys on the lawn, etc…). When I asked about the jump in rent they would be paying, they both laughed and said they were getting an incredible deal where they were and did not have a concern with the $1100/mo rent I was asking. They actually thought it was a little under market rent and they were comfortable in paying it.

Finally, I had a tenant in a property that I recently purchased who was paying $600/mo all inclusive. When I contacted her about the rent she was paying, she too laughed at the deal she had for the past 3 years and said that $1100/mo for her current place was market rent.

As a landlord, we are getting hit by a 2% rent cap by the government in addition to currently subsidizing rent. There is no reason the government would ever need or want to get into supplying affordable or attainable housing, when landlords are forced to do it for them.

No one comes to my aide when a tenant doesn't pay their rent, or damages my property or when the costs of operating a property skyrocket. No one came to me this year and said, 'Hey Amanda, you have a roof to fix for $20k, here's a reduction in your taxes, here's a non-repayable loan or better yet, here's a guarantee your tenants will pay their rent.'

What new facts came to light that we don't know about, that caused the rent cap policy to stay in place? There's a reason why landlords didn't lobby this new government on rent control and I quote:

"Rent control has been proven time and time again that it benefits just a select few, while increasing prices overall and decreasing the quality of rentals across the board for everyone else."[1]

"For anyone who says that rent control is a solution to the housing crisis in this province, it's not. It's disingenuous to say that." [2]

End quote

Nova Scotians deserve better; that goes for tenants and landlords. I am just one of many landlords in this province who support local trades when doing repairs and maintenance to my properties and who supports the local business who supply materials to maintain my properties. I want to provide people with housing they are proud to come home too; but under the current restrictions and extended rent cap, I question the feasibility of this goal.

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[1] https://www.halifaxexaminer.ca/province-house/when-developers-and-landlords-speak-tim-houston-listens/

[2] https://www.cbc.ca/news/canada/nova-scotia/with-final-covid-19-reopening-phase-approaching-n-s-rent-cap-could-lift-soon-1.6150707

I personally like to purchase run down properties that need some TLC. For anyone who knows me and my purchases, I like the ugliest house on the street, because I can improve it with my sweat equity. I purchased a fourplex that only had one unit tenanted as the others were damaged, dated and without power. I lived in that unit for 4 months, painting, cleaning, updating, and creating 3 beautiful units that are currently rented to people who love their home. They invite me in, they show me what they have done and they call when the slightest thing isn't working so I can take care of it before it becomes a bigger issue and cost***. With a 2% rent cap, I have nothing left to put back into these homes.***

I don't envy the people who have decisions to be made on this topic or the ones who have made decisions so far. But let's not forget, that ***rent control only benefits the select few*** and if you take away all of the noise and look at the empirical evidence surrounding this, ***extending this 2% rent cap is going to hurt a lot more Nova Scotians than it is going to help.***

With the current divisive environment, anger and frustration, I have for the first time actually felt unsafe to work on my properties alone let alone show it to prospective tenants. The rhetoric that is perpetuated by party leaders and the media uptick on all of the greedy money hungry landlords, makes it more and more difficult to want to provide housing, let alone, clean and safe housing. If we are all being painted with the same brush, why should I continue to offer housing at all?

I would like to offer a couple of solutions that I feel need to be discussed further:

- at the very least, this rent cap needs to be increased;
- it needs to take into consideration landlords who have properties under market rent;
- it needs to take into consideration tenant income as the Province does with subsidizes rent;
- it needs to take into consideration the ever-increasing costs to run and maintain these properties, not to mention the costs to improve the properties which benefits the health and well-being of Nova Scotians overall

Thank you.

Investment Property Owners Association of Nova Scotia

Remarks on Bill 62
Law Amendments Committee
November 1, 2021

Mr. Chair and members of the Law Amendments Committee:

Thank you for the opportunity to speak today on Bill 62.

Last week, I offered a brief overview of the Investment Property Owners of Association – IPOANS.

Today, I would like to draw to your attention to copies of two reports – a 2016 KPMG report on the rental housing sector in Canada and a 2021 study IPOANS commissioned from Gardner Pinfold Consultants. I invite you to read both.

According to the KPMG report, Nova Scotia's rental housing industry contributes $1.3 billion to the province's GDP.

It also represents $563 million in employment income.

More than 10,000 full-time equivalent jobs.

$308 million in property taxes, sales taxes (including HST) and excise taxes.

That breaks down with $164 million collected by municipalities, $83 million by the Nova Scotia government, and $26 million by the federal government.

Despite all our sector provides in jobs to Nova Scotians and taxes paid to government for programs and services, the government continues to bring forward legislation like Bill 62 without respecting us with meaningful consultation.

Last week, when I appeared before this Committee, I spoke about how responsible landlords have felt under attack by members of the Legislature from all three parties.

I would like to acknowledge some of the comments made in the House of Assembly from all sides that recognize the good work of the vast majority of landlords.

Unfortunately, Bill 62 is a blunt instrument that punishes the thousands of small businesses that own rental properties.

Based on the questions and comments I received at Committee last week – questions that ignored any of the pain rental property owners are experiencing – many rental property owners continue to feel disrespected by those we elect to this Legislature.

Bill 62 perpetuates a policy lacking in evidence.

Make no mistake, the evidence is clear.

Evidence from Statistics Canada and Canada Mortgage and Housing Corporation.

Over the last 20 years, jurisdictions that have had rent control – Ontario, British Columbia, Manitoba, and Prince Edward Island – have seen rents for apartments increase at a higher rate in those places than in Nova Scotia.

Rental income accounts for 98% of the revenue earned by the small businesses that own rental properties.

Any cap on rent is a cap on what landlords can spend.

On buildings.

On maintenance.

On people.

In a province where 60% of apartment units were built before 1996, a rent cap of 2% that will be in place for more than three years will mean less money will be spent on buildings.

Even worse, a 2% rent cap is not sustainable for small businesses who are facing some of the following skyrocketing expenses.

Insurance premiums going up 45-50%.

Energy costs going up and up and up.

According to TradingEconomics.com, the price of oil, natural gas and propane have gone up from between 68% to 120% - Year to Date, as of last Friday.

And we haven't even hit winter yet.

How do MLAs expect landlords pay for the fuel to heat our buildings?

Property taxes are expected to go up 20-25%.

Isn't it interesting that nobody in this Legislature has thought about helping landlords deal with increased property taxes?

To quote a landlord from Fairview that contacted me over the weekend:

"As a landlord, I too believe in rent control, I also believe in natural gas control, I believe in heating oil control, building insurance control, Halifax water control, I also believe in controlling the outrageous prices that contractors are charging for maintenance, the cost of building material, taxes, appliances and their unavailability and the list goes on... All these costs are incurred by the landlord at 50, 100, or more, percent increases in the last 2, 3 years, all of these increases, our government SHOULD be aware of. Where is the price control or safety measures for the landlord? Rather than putting in place measures that limit the increased costs the landlord incurs, the landlord gets dragged through the media and villainized, rather than calling to account broken promises by past governments, who is truly responsible for our housing situation? I guess it's just easer to divert the blame to landlords..."

As I indicated last week, this is what happens when decisions are made without meaningful consultation with those who are affected.

The Nova Scotia Affordable Housing Commission recommended that ALL stakeholders – including IPOANS – be consulted on housing solutions, including amendments to the Residential Tenancies Act.

That didn't happen with Bill 62.

In the summer provincial election, every party promised in the last election that they would consult with our industry before making decisions that affected us.

That didn't happen with Bill 62.

Bill 62, like Bill 30 before it, is a broken promise by the Progressive Conservatives, the Liberals, and the New Democrats.

A broken promise, because nobody cared to ask us for our opinions and ideas.

Our members were keenly aware the current market conditions were unhealthy and unsustainable.

We understood to make it through this rough patch meant having open and frank discussions with all stakeholders, but we weren't invited to the table.

Bill 62 was not recommended by the independent Nova Scotia Affordable Housing Commission.

That report warned against the consequences of keeping rents artificially low.

I quote from page 28 of the report:

"Operating models that build on projects with uniformly low rents are unsustainable and organizations will face the hard choice of displacing tenants who can't afford the needed increased rent, or delay critical maintenance work on their buildings, two scenarios that should be avoided."

How do MLAs expect to solve an affordable housing crisis by knee-capping the largest provider of affordable housing in the province?

According to Statistics Canada/CMHC data, there are 5,000 small landlords who collectively manage over 60,000 rental units in Nova Scotia.

According to Statistics Canada Census 2016 Profile, there are over 12,000 Duplex rentals in Nova Scotia.

With single residential housing valuations at an all-time high, combined with the hostility the rental market is experiencing in Nova Scotia, duplex investment property owners are considering their options, including selling rentals units.

Every decision has consequences that government must live with.

The government's 2% rent cap will result in property owners selling more rental units.

The sale of more rental units will mean more tenants being forced out of their homes, while at the same time reducing rental housing supply.

If MLAs aren't moved by data, I share with you some lived experiences of small landlords. Here's an excerpt of another email I received in recent days:

"The tenants and I had a verbal agreement that should they look after the property and pay the rent I would try not raising the rent. $900 for a 3-bedroom upper flat with all utilities included was the going rate 15 years ago.
I kept my word and did not raise the rent. Today, 15 years later, I am retired and find the property needs repairs etc. The last 2 years I had made several costly repairs, roof, plumbing etc.
I can no longer subsidize my tenants and cannot raise the rent higher than $18 per month each so I put the place up for sale. It was immediately bought up and the buyers are moving in the upper unit.
I feel so bad for the 15 year tenant who is a retired senior with no family and now has to find a place for $900 everything included.
The tenant wanted me to raise the rent by $75 which would have made me rethink selling because the tenant in the basement also was willing to pay an additional $75.
Unfortunately had I accepted their offer I would have been breaking the law."

These are the consequences of rent caps imposed without data, evidence, or real-world consultation.

How do MLAs expect landlords serving low-income renters to secure financing for major capital repairs such as roof replacements due to insufficient revenue growth?

Most small landlords do not have the financial capacity to sustain 36 months of losing money.

That's the past year of the current rent cap, followed by the next two years.

It's Business 101: prolonged period of expenses outstripping revenues results in either insolvency or funding operations with personal funds.

There were better ways for government to proceed – if only they had asked the people who work in housing.

Why wasn't the cap targeted just to renters in core housing need? How does it help to set a 2% cap on buildings with high income tenants paying anywhere from $3,000 to $5,000 a month?

Why doesn't Bill 62 provide landlords with the ability to apply for an above cap rent increases to offset increases in operating expenses?

Nova Scotia's previous government contemplated a 4% cap for new buildings and 10% for older buildings.

Landlords in other jurisdictions can apply for rent increases above regulated caps for documented increases in operating expenses.

And other jurisdictions do not apply rent control to newer buildings.

Why didn't Nova Scotia look at that?

Did government even consider all the options available?

Or was the 2% decided for expediency to demonstrate action on a politically sensitive file?

We may never know as we weren't consulted.

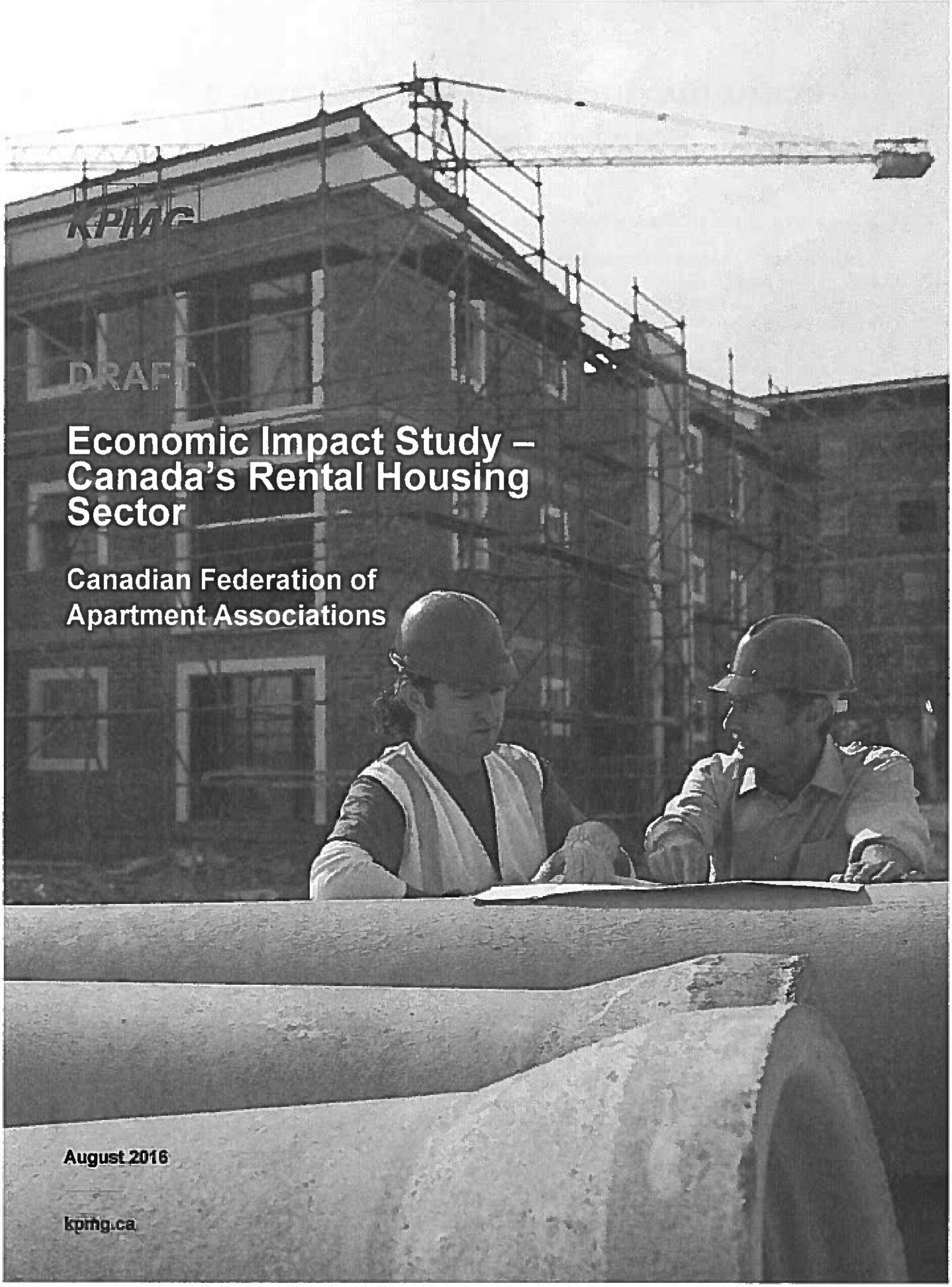
It's still not too late to work with us to amend Bill 62.

It's not too late to let Bill 62 stay on the Order Paper and find a better path to balance the interests of tenants and landlords.

Who knows? Perhaps by working with ALL stakeholders, the Nova Scotia government and this legislature can land on solutions that actually work.

Solutions that don't bring the hammer down on small landlords.

Thank you.



DRAFT

Economic Impact Study – Canada's Rental Housing Sector

Canadian Federation of Apartment Associations

August 2016

kpmg.ca

7 Economic Impact of Nova Scotia's Rental Housing Industry

7.1 Overview of Nova Scotia's Rental Housing Industry

This study estimates that **Nova Scotia's rental housing industry generated $1.2 billion in revenues in 2015**. Of this amount, $1.15 or 97 percent came from rental revenues. This value was based on an estimated rental housing stock in 2015 of 100,163 units, excluding social housing. The remaining $35 million in estimated revenues came from non-rental revenues.

This study also developed an estimate of the **capital expenditures in Nova Scotia's rental housing industry**. These expenditures include capitalized renovations and new rental housing construction. This study estimates that these expenditures **were approximately $503 million in 2015**.

The table below provides an overview of the revenues and capital expenditures used to inform the estimate of the economic impact of Nova Scotia's rental housing industry.

Table 19. Estimated Revenues and Capital Expenditures in Nova Scotia's Rental Housing Industry in 2015

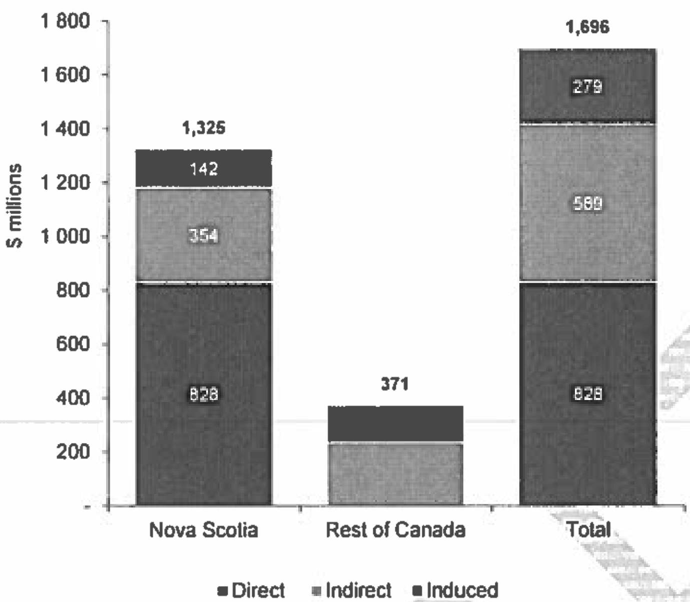
Revenues and Capital Expenditures of Rental Housing Industry in Nova Scotia for 2015 ($ millions)	
	Total
Revenues	
Rental	1,145
Non-Rental	35
Total - Revenues	**1,180**
Capital Expenditures	
Construction	296
Capitalized Renovations	207
Total - Capital Expenditures	**503**

7.2 Economic Impacts

7.2.1 GDP Impact

This study estimates that Nova Scotia's rental housing industry contributes approximately **$1.7 billion to Canada's GDP**, of which $1.3 billion or approximately 78 percent accrues to Nova Scotia. The remaining 371million or approximately 22 percent accrues to other provinces and territories. Figure 11 summarizes the direct, indirect and induced GDP impacts of Nova Scotia's rental housing industry.

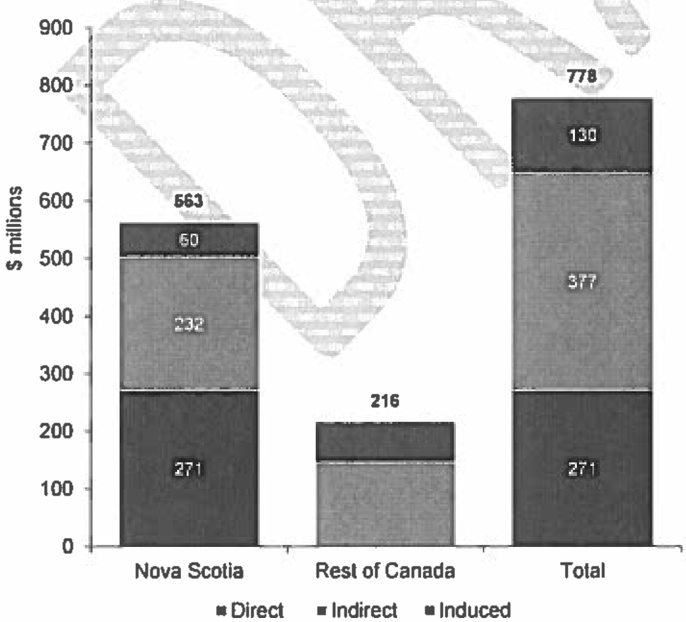
Figure 11. GDP Impact of Nova Scotia's Rental Housing Industry ($ millions)



7.2.2 Labour Income

It is estimated that total **Labour Income** generated by Nova Scotia's rental housing industry in 2015 **was $778 million**. Of this amount, $563 million, or 72 percent, was generated within Nova Scotia. The remaining $216 million, or 28 percent, was generated in the rest of Canada

Figure 12. Labour Income Impact of Nova Scotia's Rental Housing Industry ($ millions)



7.2.3 Employment Impact

This study estimates that Nova Scotia's rental housing industry generated **13,970 FTE positions**, of which 10,423 or 75 percent are located in Nova Scotia. The numbers presented in the figure below reflect adjustments made to ensure that employment impacts were not overestimated as a result of the fact that the I/O model is calibrated to the 2010 economy. These adjustments were discussed in more detail in Section 3.3 of the main body of the report.

Figure 12. Employment Impact of Nova Scotia's Rental Housing Industry (No. of FTEs)

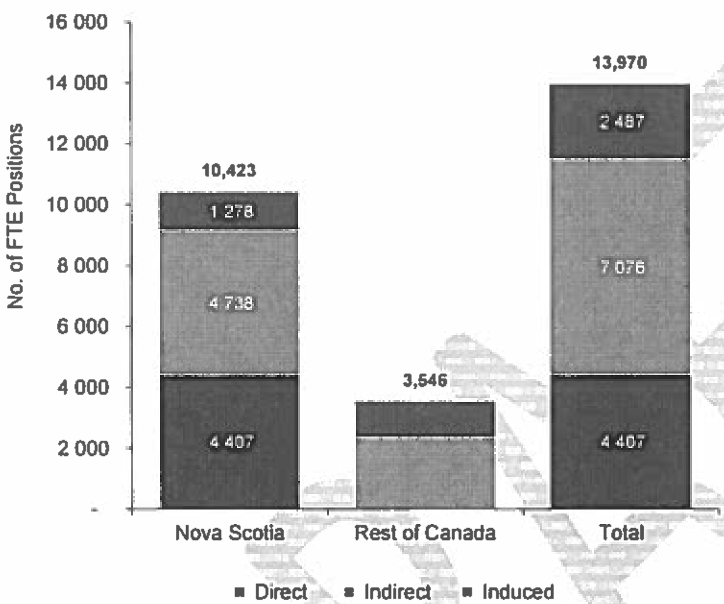


Table 20 outlines further detail on the employment impact. As indicated in the table, the average Labour Income per FTE generated by Nova Scotia's rental housing industry was estimated to be $53,990 in 2015. This estimate was calculated by dividing total labour income by the number of FTE jobs generated by Nova Scotia's rental housing industry.

Table 20. Employment Impact of Nova Scotia's Rental Housing Industry

Employment Impact of Nova Scotia Rental Housing (No. of FTE jobs)			
	Nova Scotia	Rest of Canada	Total
Direct	4,407	0	4,407
Indirect	4,738	2,338	7,076
Induced	1,278	1,209	2,487
Total	10,424	3,547	13,970
Total Labour Income ($ millions)	563	216	778
Average Wage ($)	53,990		

7.2.4 Government Revenue

This study estimates that Nova Scotia's rental housing industry generated **$581 million in taxes on products, taxes on production, taxes on salaries and deductions at source and taxes on corporate income in 2015 in Canada**.

The estimate of government revenues presented in this section includes an estimate of the corporate income taxes paid by the rental housing industry in Nova Scotia. A number of assumptions were required in order to derive this estimate; these assumption are described in Section 7.2.4.3

It is important to note that the estimate of corporate income tax described in this report does not include income taxes paid by the residential housing construction sector on profits from the construction of rental housing. Further, due to a lack of reliable data on the profits generated by the sale of rental housing units, this study only partially estimates taxes as a result of capital gains on the sale of residential real estate.

7.2.4.1 Taxes on Products and Taxes on Production

It is estimated that the rental housing industry in Nova Scotia generated approximately **$308 million of taxes on products and taxes on production in 2015.** Of this amount, $164 million, or almost 53 percent, was collected by the municipalities in Nova Scotia. This reflects the large payments of property taxes made by the rental housing industry, which are included in taxes on production.

Table 21 provides a breakdown of the government revenues generated by taxes on products and production.

Table 21. Impact on Taxes on Products and Taxes on Production of Nova Scotia's Rental Housing Industry

Federal, Provincial and Municipal Revenue Generated from Nova Scotia Rental Housing ($ millions)			
	Nova Scotia	**Rest of Canada**	**Total**
Federal			
Taxes on products	24	7	31
Taxes on production	2	0	2
Total Federal Revenue	**26**	**7**	**33**
Provincial			
Taxes on products	52	12	64
Taxes on production	30	5	36
Total Provincial Revenue	**83**	**17**	**100**
Municipal			
Taxes on products	0.1	0.0	0.1
Taxes on production	164	11	175
Total Municipal Revenue	**164**	**11**	**175**
Total Government Revenue	**273**	**35**	**308**

7.2.4.2 Taxes on Salaries and Deductions at Source

Employment in Nova Scotia's's rental housing industry generated a total of **$238 million in taxes on salaries and deduction at the source.** It is estimated that about $137 in personal income taxes was collected in 2015. It is also estimated that the rental housing industry generated a total of $68 million in CPP contributions, $31 million in EI contributions, and $1 million in QPIP contributions.

Table 22 Impact on Income Tax and other Salary Related Deductions of Nova Scotia's Rental Housing Industry

Taxation - Salaries ($ millions)	Nova Scotia	Other	Total
Provincial Income Tax	44	15	59
Federal Income Tax	54	24	78
Total Income Tax	**98**	**39**	**137**
	-	-	-
CPP - Employee	26	8	34
CPP - Employer	26	8	34
Total CPP	**52**	**17**	**68**
	-	-	-
EI - Employee	10	3	13
EI - Employer	14	4	18
Total EI	**23**	**7**	**31**
	-	-	-
QPIP - Employee	-	1	1
QPIP - Employer	-	1	1
Total QPIP	**-**	**1**	**1**
	-	-	-
Total	**173**	**64**	**238**

7.2.4.3 Taxes on Corporate Income

This study estimates that the rental housing sector in Nova Scotia generated **approximately $35 million in corporate income taxes in 2015.** This estimate includes income tax paid by incorporated landlords as well as income tax paid on rental income by unincorporated landlords.

The amount of corporate income tax paid by incorporated landlords is difficult to estimate, since individual corporations face a wide variety of different circumstances and may be structured in different ways, with different capital structures and different effective tax rates. We have developed an illustrative estimate of the taxes paid on business income in the rental housing sector in Nova Scotia by making a number of simplifying assumptions. The estimate described in this section provides an indication of the potential magnitude of taxes paid but cannot be regarded as precise. In developing the estimate, we assumed that businesses in the rental housing sector are made up of Real Estate Investment Trusts (REITs). The income earned by these REITs and distributed to unit holders is assumed to be taxed as investment income by individual investors. As a result of these simplifying assumptions, the estimate of corporate income tax provided in this section should be interpreted with caution.

It is also important to note that the estimate presented in this section excludes corporate income tax paid by the residential housing construction sector on profits from the construction of rental housing. As such, total government revenues generated by the rental housing sector in Nova Scotia are likely greater than those presented in this study

8 Appendix A: Summary of the Canadian Rental Housing Industry's Capital Expenditures in 2015

Total 2015 Capital Expenditures of Canada's Rental Housing Industry ($ millions)

	BC	AB	SK	MB	ON[8]	QB	NS	NB	NL	PEI	NWT	YK	NV	Total
Construction														
Single	740	694	104	61	702	198	53	35	41	13	3	6	6	2,656
Double	58	104	8	5	45	36	5	4	1	1	0	0	0	267
Row	137	518	72	46	822	70	18	13	11	4	0	2	2	1,716
Apartments	1,856	1,663	260	272	2,316	2,777	274	52	29	19	17	10	10	9,554
Total Rental Housing Construction	**2,790**	**2,979**	**443**	**384**	**3,885**	**3,081**	**350**	**104**	**83**	**38**	**19**	**18**	**18**	**14,193**
% of social housing construction	12%	9%	25%	28%	19%	9%	15%	18%	22%	18%	34%	24%	36%	14%
Adjusted Rental Housing Construction	**2,463**	**2,719**	**332**	**277**	**3,159**	**2,801**	**296**	**86**	**65**	**31**	**13**	**14**	**12**	**12,266**
Renovations														
Condos	356	254	29	21	577	302	9	7	4	1	1	1	1	1,563
Secondary Market	419	394	104	58	699	236	34	0	34	0	0	0	0	1,978
Purpose Built	491	360	55	125	1,900	1,474	164	90	32	20	15	6	23	4,755
Total Renovations	**1,265**	**1,008**	**188**	**203**	**3,177**	**2,011**	**207**	**97**	**69**	**22**	**16**	**7**	**25**	**8,296**
Total Capital Expenditures	**3,728**	**3,728**	**520**	**480**	**6,336**	**4,812**	**503**	**183**	**134**	**53**	**29**	**20**	**36**	**20,562**

Souce: KPMG Calculations

Rental Housing Affordability in Nova Scotia

March, 2021

Gardner Pinfold
Consultants

ABOUT THIS REPORT

This report examines rental affordability issues in Nova Scotia and the Halifax Regional Municipality. Definitions of affordability, data on the status and trends, and solutions to develop more affordable market units are explored. This has been commissioned by the Investment Property Owners Association of Nova Scotia (IPOANS), but it has been prepared independently by Gardner Pinfold Consultants Inc. The views expressed, and any errors or omissions, are the sole responsibility of the authors.

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Front cover: Proposed Pathos Properties' Bedford development on the Bedford Highway in Halifax, Nova Scotia. - Photo credit: Paul Skerry and Associates

Halifax Regional Municipality Council approved the development in 2020, including one third of the 55 units rented at 30% below market values, 11 units barrier-free (accessible), and commercial space incorporated on the ground floor of the 8-storey building.

Table of Contents

List of Tables and Figures

EXECUTIVE SUMMARY

Introduction

This report presents rental housing information to support joint efforts toward more affordable housing in Nova Scotia (NS). The report draws upon data collection, literature review, and key informant interviews to clearly outline affordability issues, key statistics, rental market dynamics, and policy options. Canada Mortgage and Housing Corporation (CMHC) core housing need (CHN) concepts are central to the report, with proposed solutions focusing on CMHC "affordable housing", also commonly considered "workforce housing".

Key trends

Rising rent is not the factor that is stretching overall affordability the most in NS. Since 2000, NS rents have been rising at just 1.1% (compound annual rate), which is slower than other essential household items including transport rising at 1.7%, and food rising at 2.5%. The province's rent is also rising more slowly than others with rent control including: B.C. (1.3%), PEI and ON (1.4%), and MB (1.6%).

Household demographics in NS have also changed substantially over the last two decades, and there are now fewer couples having children, while households of single individuals are rising, meaning there is a shift in the type of rental units needed and affordability challenges are exacerbated for these household types.

CHN status

According to CMHC in 2016 about 30,500 NS households were in CHN because they did not meet the affordability standard. Fortunately, from 2006 to 2016 incomes of CHN households have risen faster in NS (2.8% compound rate) than the rise in rent (2.3% compound rate). This is a move in the right direction, but is not nearly sufficient.

Rental property owners

While costs are rising 4.5% on an average annual compound rate, there is little if any room for businesses to succeed on lower revenues. As of June 2020, most (91%) of the 6,289 landlords in Nova Scotia are individuals renting few units, while the other 9% are businesses with employees. The operational costs for all rental properties are rising at an average annual compound rate of 4.5% in NS. Smaller rental operators are particularly vulnerable, and policies that squeeze revenues such as rent control undermine their chances of success. Incentives rather than deterrents for investment are critical as more affordable rental developments are urgently needed.

Market dynamics

Since 2016, the Nova Scotia vacancy rate has remained below 3%, and it slid to a low of 1.4% in the Fall of 2019. Halifax vacancies fell even further to 1.0% in Fall of 2019. The tightening market has helped spur more rental development and, in 2019, a record number of rental units were under construction (4,020) in Halifax (CMHC, 2019). Halifax is now #1 in the country for developing purpose-built apartments per capita compared to all other major cities. Many are yet to be built and there is an opportunity, while interest rates remain low, to make sure affordable units are built.

The rental affordability gap

Capital and operating costs are presented for low-mid market apartment developments in HRM and medium-sized NS communities. The major cost components that determine market rental rates for apartments are presented; providing a reference point for estimating the affordability gap between CHN households and the market.

The number of households in CHN under the affordability standard are shown by size of apartment in HRM and the rest of NS (about 30,500 total for NS). Based on the estimated rental overshoot, there are 12,155 units in HRM and 9,337 in the rest of NS (21,492) targeted for affordable market rental development. The annual value of the rental gap to reach the target is about $120 million for the province.

Solutions to match the problem

Responding to the gap, estimates for the value of five key policy measures in HRM and the rest of NS are presented including:

#1 Annual property tax rebates;
#2 Rebate on PST up to $24,000 maximum per affordable unit;
#3 Making free land or cash in lieu available;
#4 Provincial subsidy that works in higher cost HRM locations; and
#5 Waiving development charges.

Fully implementing these five solutions addresses about $111 million of the estimated $120 million affordability gap, lifting 20,000 households (93%) of those 21,492 in CHN that are targeted in this report for affordable rental unit development.

Building new affordable units is not the only way to meet this need since market units already coming online will attract renters to vacate existing units, some of which release affordable units to others. Building new targeted affordable units will likewise result in renters vacating some existing affordable units for others to acquire. Finally, policies that support secondary suites and nudge short-term rental owners, such as Air BnBs, to shift back into long-term rental markets can also alleviate pressure to construct new affordable units.

Looking beyond temporary relief measures to long-term solutions, a $1.6 billion 10-year plan will make meaningful differences for many Nova Scotia households facing persistent affordability issues. Dovetailing these with improvements to social housing and incomes will help address other rising household costs as well as helping those facing deeper affordability challenges.

1. INTRODUCTION

1.1 Background

Rental housing affordability is not an issue that is new or unique to Nova Scotia. The issue has a long history and many jurisdictions around the world have attempted to address it in various ways. More vigorous discussion of the issue has been stimulated by Bill 76, The Rental Fairness and Affordability Act, first introduced in the Nova Scotia Legislature on September 28, 2018. On November 25, 2020, under the Emergency Management Act, the Province announced a 2% cap on rent increases and a prohibition on evictions for the purpose of completing renovations, This will be in place until Feb 1, 2022 or the state of emergency is lifted, whichever comes first.

Established in 1978, The Investment Property Owners Association of Nova Scotia (IPOANS) is the collective voice representing residential investment property owners. IPOANS members have over 45,000 apartment rental units under management throughout Nova Scotia. The organization is keenly engaged in this issue and is well-positioned to play a constructive role for Nova Scotians.

There is a pressing need to closely examine rental housing affordability in the Nova Scotia context. A clear and credible basis for framing the affordability issue and the potential solutions for addressing it are needed in order to support constructive steps forward for all involved.

1.2 Goal and Objectives

The overall goal is to prepare a report examining rental affordability issues and the merits of potential solutions in Nova Scotia, and specifically to provide:

- **Issue framing, status and trends –**
  - Define affordability and examine key metrics;
  - Connect trends in overall household affordability, rent, and incomes; and
  - Closely examine core housing need in Nova Scotia; and
  - Illustrate key factors in Nova Scotia's rental market.
- **Potential solutions –**
  - Combine interview findings with research and experience in Canada and internationally regarding solutions to rental housing affordability issues:
  - Present advantages and disadvantages of each potential solution; and
  - Interpret what application of these solutions to Nova Scotia could mean.
- **Discussion –**
  - Link solutions to smart regulatory approaches using other Nova Scotia regulated market experience for insight;
  - Maintain a wide view of factors affecting rental markets so that solutions are stable and dependable;
  - Identify constructive roles for IPOANS and its members working with others to continue improving affordability for Nova Scotians.

1.3 Approach

All data sources are cited for transparency and the primary sources of information are from Statistics Canada, the Canada Mortgage and Housing Corporation (CMHC), and provincial data sources. The methods for calculations are provided along with assumptions and limitations in order for readers to interpret findings appropriately.

Gardner Pinfold conducted at least fifteen (15) interviews involving over twenty (20) key representatives of the following organizations:

- Affordable Housing Association of Nova Scotia (AHANS)
- Service Nova Scotia and Internal Services
- Nova Scotia Municipal Affairs and Housing
- Halifax Regional Municipality (HRM)
- Canada Mortgage and Housing Corporation (CMHC)
- Halifax Housing and Homelessness Partnership
- Investment Property Owners Association NS (IPOANS)
- The Housing Trust of Nova Scotia
- Turner Drake Partners

All interviews were conducted by phone or video to respect public health guidelines and to reduce any potential spread of covid-19. The interviews were instrumental for identifying information sources, understanding key issues, and describing the solutions that are considered in this report. In a number of instances, the solutions identified are more fully developed in other jurisdictions so we undertook a review of other jurisdictions to highlight their experiences.

2. Status and Trends

2.1 Affordability & Core Housing Need

Determining housing affordability has been based on the portion of income needed to pay for shelter, with the view that enough income must be left over for other necessities including food, clothing, transportation and other expenses. Although the idea is straight-forward, the way to measure this on a household basis can be complex. Three measures in Canada are outlined below:

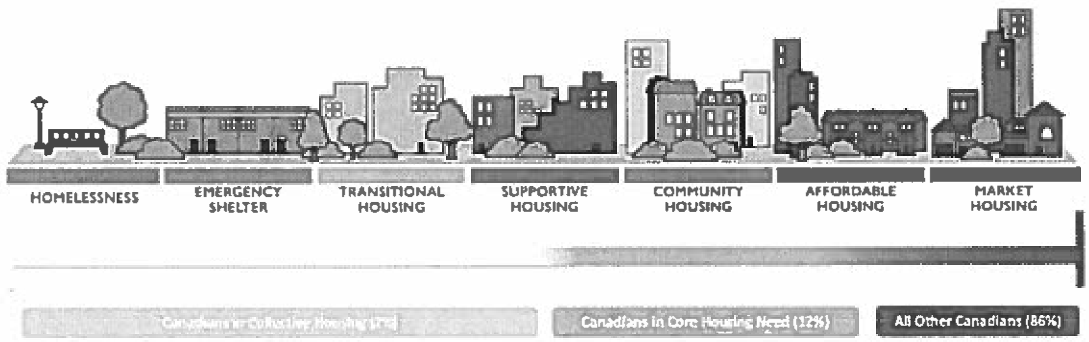
- **30% STIR** – the shelter to income ratio of 30% has been used, but this captures some people who have higher incomes and spend more than 30% on housing. In this case there could still be enough left-over for other household necessities. This also does not account for what shelter is obtained in terms of adequacy (quality and condition) or suitability (rooms needed for the size of family). Before-tax (gross income) STIR measures are used to determine core housing need (next).

- **Core housing need (CHN)** – developed by Statistics Canada and the Canadian Mortgage and Housing Corporation (CMHC) addresses three factors including: affordability (e.g. STIR), adequacy (need for major repairs), and suitability (enough rooms for the family size). A household is said to be in 'core housing need' if its housing fails any one of the adequacy, affordability or suitability standards. With regard to affordability, CHN households would spend 30% or more of their total before-tax income to pay the median rent of alternative local housing that is acceptable (meets all three housing standards).

- **Housing hardship (HH)** – is a potential future concept yet to be finalized as it is being reviewed in 2020. Here the focus is on how much disposable income is leftover after paying shelter costs, and the Market Basket Measure (MBM) concept is used to determine whether the residual income is enough to meet other household needs. A family of three versus a single individual may have the same 30% STIR, but the family of three may not have enough residual income for the needs of three people, whereas the single individual may have enough for themselves. This approach using MBM concepts also helps to reflect differences in non-shelter household costs across different geographical areas (e.g. Toronto versus Cape Breton). Preliminary results suggest fewer households will be in "hardship" than the current 30% STIR captures (e.g. removal of single individuals that pay 30% for shelter, but have enough residual income for other needs).

The Canada Mortgage and Housing Corporation (CMHC) features prominently in this report since it is a primary source of data, analysis, and national housing programs in Canada. Core Housing Need (CHN) is the measure currently in use by CMHC, so this will be the focus for the remainder of the report. Before proceeding it is important to put CHN in context, and CMHC refers to a housing spectrum (below).

Figure 2.1: CMHC housing spectrum in Canada, 2016



Sources: CMHC staff presentation, 2020; Statistics Canada 2016 Census Core Housing Need Data (Tables C6).

Specifically, CHN does not address homelessness, emergency shelters, transitional housing, and some supportive housing. About 12% of households are in CHN, while 2% are in collective housing, and the remaining 86% are all other Canadians. Notice that affordable housing spans an upper portion of CHN households and a lower portion of all other Canadians. This is a particular focus of the report and affordable housing may also be described as affordable "workforce housing". This is the view that households with employed individuals should be able to find affordable rental options in their community. Keeping in mind the full discussion can be open to all solutions involving: supportive housing (e.g. rent supplements and income supplements), community housing, and affordable market housing.

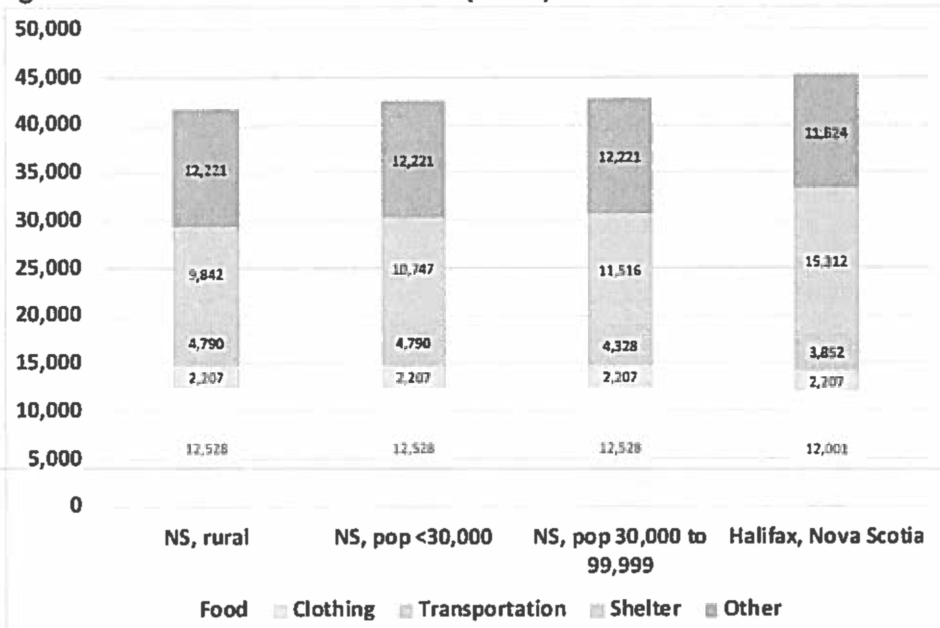
2.2 Household Affordability

It is important to step back from just shelter affordability concerns and take a broad view of overall household affordability. Statistics Canada determines income thresholds for a "modest, basic standard of living" for a reference family in communities of different population sizes across Canada. A reference family is a family of four, and the MBM is adjusted for other family types and non-family individuals.

The Market Basket Measure (MBM) includes the actual market costs of food, shelter, transportation, clothing, and "other" items, and this can be compared to family disposable income (after tax) levels in communities across Canada. The MBM threshold has been Canada's official "poverty line" since 2018.

Halifax is the most expensive community in Nova Scotia, so the MBM threshold is highest there and it drops in less populated communities. The threshold in 2018 for Halifax was $45,196, and it was 5% less for communities with populations between 30,000 and 99,999, 6% less for communities with under 30,000 population, and 8% less for rural areas.

Figure 2.2: Market Basket Measure (MBM) thresholds for NS communities, 2018



Source: Statistics Canada. Table 11-10-0066-01 Market Basket Measure (MBM) thresholds

The "shelter" costs capture both rented and owned accommodations, and for renters this represents more than just rent since it also includes tenant insurance, tenant maintenance and repair costs, and other shelter-related costs.

Key observations:

- **Community size** – The MBM level for shelter costs is highest in Halifax ($15,312 or $1,276 per month), then shelter costs are 70% to 75% of Halifax rates for small to mid-sized communities, and this falls to 60% for rural communities.
- **Shelter portion** – MBM levels for the other four items are stable across community sizes or even decline for larger communities, while shelter costs increase with community size. Shelter costs are 34% of the total in Halifax, 25% to 27% in small and medium-sized communities, and 24% in rural areas.

"Shelter costs in Halifax versus the rest of the province are both highest in actual terms and as a portion of MBM (poverty line) thresholds."

2.3 Rent Trends

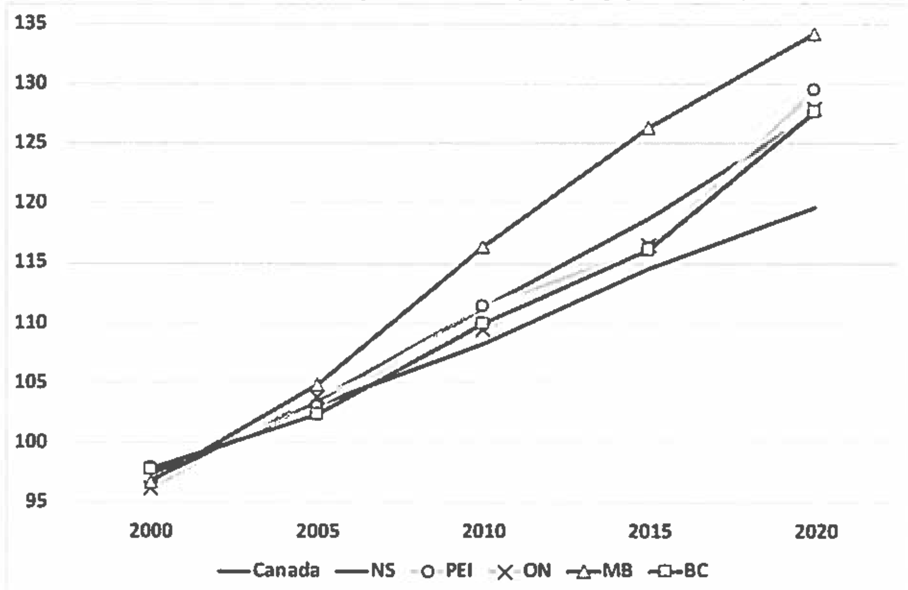
It is important to start by looking at the historical path rents have taken in Nova Scotia and Halifax. A primary concern is that rent has been increasing too quickly and this contributes to individuals and families not being able to "make ends meet". Rent is the key component of shelter costs for those living in rented accommodations. We examine three data sets, namely:

- Statistics Canada consumer price index for rent by province;
- CMHC primary rental market rates by province; and
- Monthly rental rates on "renewals" and "on turnovers" for a NS rental company.

Statistics Canada's consumer price index (CPI) captures a basket of cost items, one of which is rented accommodations. The index is set to 100 for the base year 2002, and the index value is easily interpreted to obtain the percentage change from the base year (i.e. an index of 125 means a 25% increase since 2002).

The CPI for rent is available consistently across provinces, keeping in mind this not specifically focused on those with affordability challenges. The following figure shows the rent CPI for Nova Scotia (blue line) compared to the national trend (red line) and four other provinces with rent control measures in place.

Figure 2.3: Rent consumer price index (CPI) by province, 2000-2020



Source: Statistics Canada. Table 18-10-0004-04 Consumer Price Index, monthly, percentage change, not seasonally adjusted, Canada, provinces

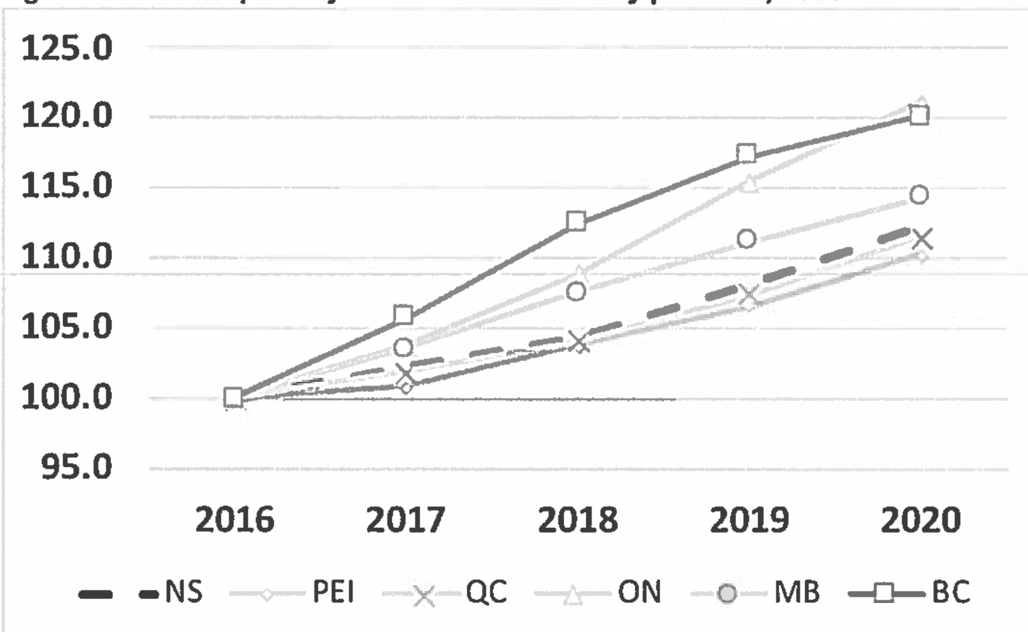
Key observations:

- **Nova Scotia** – Over this period rent increased by 22.8%, which is 1.14% on an average straight-line basis (22.8% divided by 20 years), but is only 1.07% on a compound annual basis. It is the compound rate that is relevant in relation to rent control discussion, where the cap may be set to 2%. The Nova Scotia average has remained well below this level.
- **Canada** - Over this period rent increased by 31.6%, which is 1.58% on an average straight-line basis, or 1.38% on a compound annual basis.
- **Others** – The other provinces each have rent control and the compound annual rate for Manitoba increased 1.65%, followed by Ontario (1.43%), then PEI (1.41%), and B.C. (1.34%).

"Since 2000, average annual rent increases in Nova Scotia (1.07% compound rate) have remained well below 2%, and were lower than Manitoba, Ontario, and PEI which all have rent control measures."

CMHC primary rental market data for Nova Scotia and other provinces (as above) shows how rental rates have increased more since 2016 (3.0% compound annual rate), but Nova Scotia increases are still generally lower than other provinces. The one exception is PEI with a compound annual rate of 2.5%. Ontario has the highest rate of increase at 4.9%.

Figure 2.4: CMHC primary rental market rates by province, 2016-2020

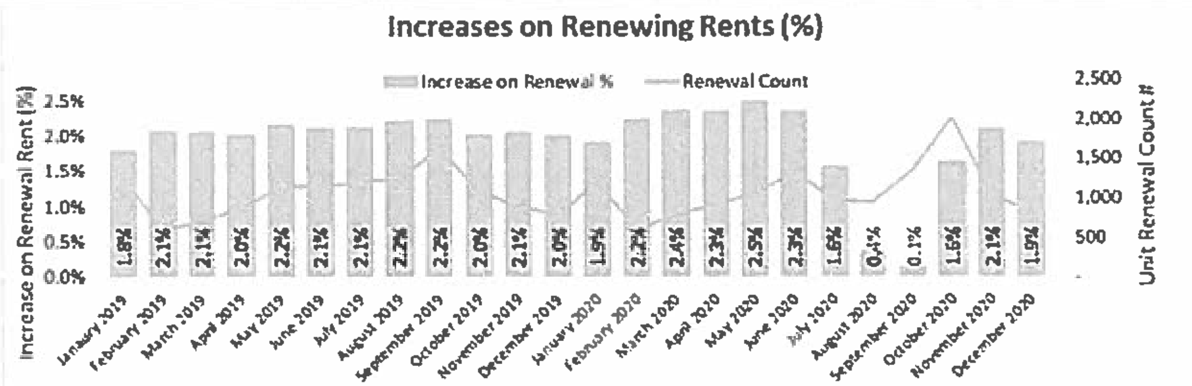


Source: CMHC primary market rental data, 2021

Killam Apartment REIT public reporting of monthly rental rates is helpful for understanding the two factors behind rental increases. Rental increases may occur on "renewals" when the same tenant remains in the unit, and also on "turnovers" when a new tenant moves into a unit. Both of these are captured in the Statistics Canada and CMHC datasets, but it is important to note that on turnovers the unit has often changed due to upgrades and investments in the unit. The rate increases on turnovers are therefore higher to reflect the higher value of the unit and the need to recover the investment costs.

Killam manages over 6,000 units or about 10% of the rental units in the province. Data for CAPREIT and Southwest Properties are similar and together represent the largest shares of rental properties in the province. The Killam renewal increases (Figure 2.5) have been about 2.0% over the past two years. This is lower than the 3% CMHC rate found above, since this only includes renewals. This is based on about 1,000 or more units renewed each year (green line and right-hand axis in figure).

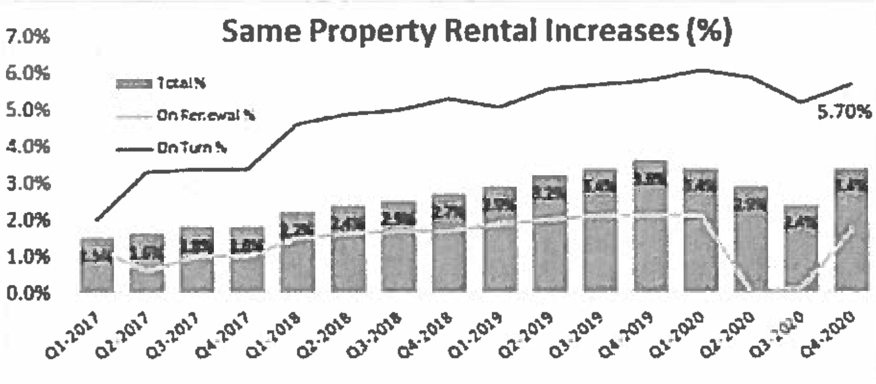
Figure 2.5: Killam monthly rent increases on renewals, 2019-2020



Source: Killam Apartment REIT, 2021.

Killam rental increases on turnovers (black line in Figure 2.6) have been about 3-5% in recent years. The historical "renewals" line is shown in green for comparison, and the blue bars are the combined rental increases. Combined increases were 1.5% to 3.6%.

Figure 2.6: Killam quarterly rent increases on renewals vs. turnovers, 2019-2020



Source: Killam Apartment REIT, 2021.

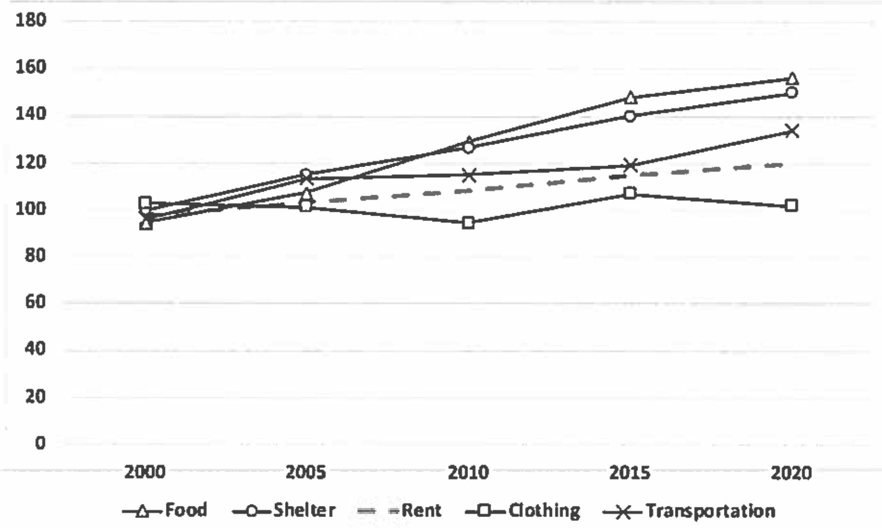
> *"Rental increases on simple renewals in Nova Scotia have been about 2% in recent years to reflect the inflation of operating costs, and the average increases on all units of about 3% include turnovers where upgrades have been made."*

2.4 Household Cost Trends

Statistics Canada CPI data also shows the trends in Nova Scotia (Figure 3) and Canada (Figure 4) for other living costs that make up the Market Basket Measure (MBM). The rent trend from 2000 to 2020 is compared to four other items, namely: food, shelter (i.e. rent, electricity, heat, and water), clothing, and transportation. Rent has the second slowest compound annual growth rate at 1.07%. The compound annual growth rate for food is highest (2.5%), followed by overall shelter costs (2.1%), then transportation (1.7%), and clothing cost remained stable at 0.0%.

> *"Nova Scotia rent costs are rising more slowly than all other items in the MBM, except for clothing. Rising rent is not the factor that is stretching overall affordability the most in Nova Scotia."*

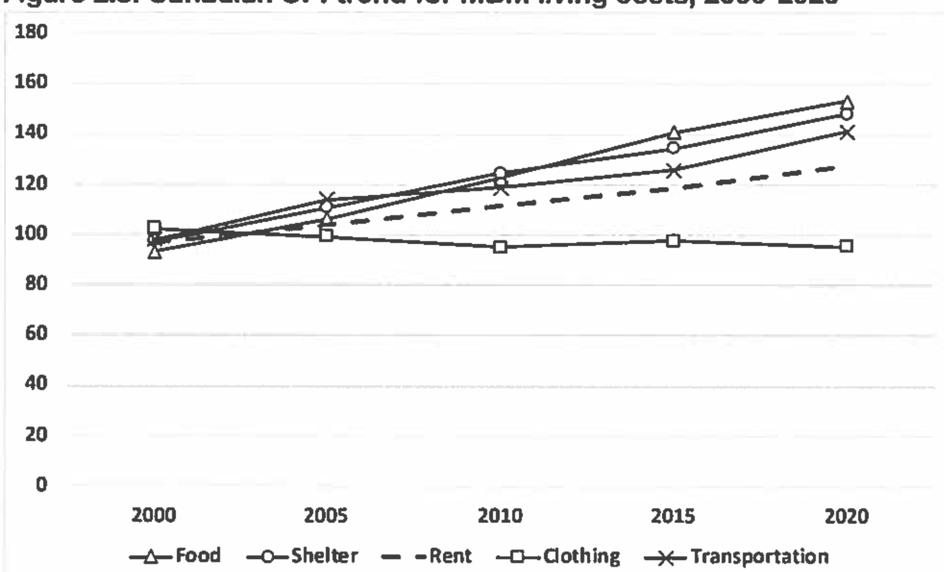
Figure 2.7: NS CPI trend for MBM living costs, 2000-2020



Source: Statistics Canada. Table 18-10-0004-04 Consumer Price Index, monthly, percentage change, not seasonally adjusted, Canada, provinces

For the rest of Canada, rent has the second slowest compound annual growth rate at 1.4%. The food cost rate is highest (2.5%), followed by overall shelter costs (2.1%), then transportation (1.8%), and clothing cost has actually declined at a 0.35% annually.

Figure 2.8: Canadian CPI trend for MBM living costs, 2000-2020



Source: Statistics Canada. Table 18-10-0004-04 Consumer Price Index, monthly, percentage change, not seasonally adjusted, Canada, provinces

> *"Nova Scotia's rent trend relative to other MBM items has been doing better than the rest of Canada, except for clothing."*

2.5 Household Incomes

While costs are generally increasing, incomes are also increasing and at a faster rate. Statistics Canada reports median before-tax and after-tax incomes annually for Nova Scotia and Halifax. Income changes from 2000 to 2018 are shown in the table below according to different family types: couples, lone parents, and others not in census families. The changes are based on inflation adjusted 2000 incomes so they are comparable to 2018 values. The differences in incomes between the years are then termed "real" changes instead of "nominal" changes.

Table 2.1: Changes in median incomes for Nova Scotia and Halifax, 2000 to 2018

	Nova Scotia			Halifax		
2000-2018 changes	Couples	Lone parent	Other[4]	Couples	Lone parent	Other[4]
Number of families	8,670	-160	31,990	16,900	1,320	21,510
Number of persons	-18,470	-920	31,990	36,790	2,820	21,510
Real[1] before-tax income	16,957	12,968	4,873	16,139	13,761	3,234
Real[1] after-tax income	15,430	11,661	4,290	14,933	12,078	3,673
Nominal[2] after-tax %	79%	99%	70%	72%	96%	62%
Compound[3] annual %	3.3%	3.9%	3.0%	3.1%	3.8%	2.7%

Source: Statistics Canada. Table 11-10-0017-01.
Notes:
1. *Incomes were inflation-adjusted using the Nova Scotia consumer price index (CPI) for all items.*
2. *Nominal values are not adjusted for inflation.*
3. *Compound annual rates are based on nominal values from previous line so these are comparable to compound annual rent trends discussed in this report.*
4. *This includes persons not in census families, all without children.*

Key observations:

- **Families and persons** – It is important to recognize that family compositions have changed over this nearly two decade period (18 years). There are now more couples in Nova Scotia (up 8,670), but with fewer people (down 18,470) since they are having fewer children. There are fewer lone parent families, a trend that is also linked to having fewer children. The largest gain is for other individuals not in a census family (up 31,990). This exacerbates affordability challenges since more income is needed for single individuals than for couples on a per person basis. Unlike the Nova Scotia trend, the lone parent group did grow in Halifax and the number of persons in couple families also grew. This speaks to the need for demographic considerations in affordability solutions since the configurations of rental units (i.e. room number) needed is changing over time. Two decades ago there were more units for larger family sizes and now these would be more expensive for single individuals who are better situated in smaller units.
- **Median incomes** – Both before-tax and after-tax incomes grew in real terms across all family types including after-tax increases for: couples (up $15,430), lone parents (up $11,661), and others (up $4,873). incomes were up for all types of Halifax families as well, although not as much for couples and others, but a

bit higher for lone parents. In nominal terms (actual dollars in each year) after-tax incomes increased 79% for couples, doubled (up 99%) for lone parents, and increased 70% for others. Halifax families have had similar experiences.

- **Compound annual changes** – Nova Scotia annual average compound rates for after-tax incomes increased 3.3% for couples, 3.9% for lone parents, and 3.0% for others. These rates are comparable to the compound annual rent trends discussed earlier (i.e.1.07% for Nova Scotia). Incomes are also rising similarly in Halifax. It must be recognized that these income trends capture both those with owned and rented accommodation. The next section will focus specifically on those in core housing need rented accommodations.

"Household demographics in Nova Scotia have changed substantially in the last two decades: 1) there are now fewer couples having children meaning there is a shift in the type of rental units needed, and 2) households of individuals are rising while couples are falling, which results in greater affordability challenges. Incomes for renters and non-renters overall is increasing by over 3% on a compound annual basis "

2.7 State of Core Housing Need

There is heightened interest in the experience of lower income households and whether it is different than the province overall. CMHC provides comprehensive information regarding households in core housing need. This focuses on the affordability component of CHN, as opposed to the adequacy and suitability components. CMHC data is drawn from Census results so the years 2006 and 2016 are used to show changes over a ten year period in Nova Scotia and Halifax.

Table 2.2: Scale of core housing need gap in Halifax and NS, 2006 and 2016

	Nova Scotia		Halifax	
	2006	2016	2006	2016
CHN status				
Above Standards (families)	48,160	60,460	26,525	33,525
Below Affordability[1,2] (Families)	26,710	30,475	13,800	16,205
Household stats[3]				
Med Income Before Taxes $	14,680	19,272	16,519	21,638
Med Monthly Shelter $	583	735	628	869
Med STIR Before Taxes[4]	47.1%	46.3%	47.2%	46.4%
Income gap[5]				
Household gap $	8,368	10,471	9,471	11,829
Aggregate total $	223,498,596	319,107,382	130,698,328	191,685,272
Rent gap[6]				
Household gap $	2,510	3,141	2,841	3,549
Aggregate total $	67,049,579	95,732,215	39,209,498	57,505,582

Source: CMHC rental market survey.

Notes: (Continued on next page)

1. *Other households in CHN due to adequacy and suitability are not shown.*
2. *A household is below the affordability standard if it would have to spend 30 per cent or more of its before-tax income to pay the median rent (including utilities) of*

appropriately sized alternative local market housing. Affordable housing costs less than 30 per cent of before-tax household income.
3. Family households include at least one census family (a couple with or without children or a lone-parent family). These households may include members who are not part of the census family.
4. The shelter to income ratio (STIR) values are not equal to the annualized shelter cost divided by the income before taxes, but these are the official values reported by CMHC.
5. The gap is the additional income needed for the STIR to be no more than 30%. The aggregate total is the gap multiplied by the number of households.
6. The gap is the reduced rent or rent supplement needed for the STIR to be no more than 30%. The aggregate total is the gap multiplied by the number of households.

Key observations:

- **CHN status** – In 2016, there were 30,475 renting households in Nova Scotia in CHN based on affordability, and 16,205 were in Halifax. Combined with the families above the standard, the proportion below declined from 2006 (36%) to 2016 (34%). This is a positive sign of movement in the right direction.
- **Household stats** – Incomes have risen a compound annual average of 2.76% for CHN renters in the province, and 2.74% in Halifax. Rent for CHN households has risen 2.34% for the province versus an increase of 3.30% in Halifax. The rent rise was higher in Halifax, and it exceeded the income rise.
- **Income gap** – For the Nova Scotia households to lower the STIR below 30%, they would have needed an average income rise of $10,471 in 2016, and a rise of $11,829 in Halifax. This would total $192 million in Halifax, and $319 million across the province. This is the approximate scale of solution required to address overall affordability (not just rent) in the form of an income supplement.
- **Rent gap** - Alternatively, for households to lower the STIR below 30%, they would have needed a rent reduction or supplement of $3,141 ($262 per month) for Nova Scotia or $3,549 ($296 per month) in Halifax. This would total $58 million in Halifax, and $96 million across the province. This highlights why the focus of solutions tends to be on rent affordability as opposed to improving incomes. This is the approximate scale of rent supplement or rent reduction solution required, but this would not address other homelessness and deep affordability issues.
- **Target monthly rent** – Given the average rent of CHN households in 2016 was $735 for Nova Scotia, and a $262 reduction is needed, the target rent would have been $473. Similarly the target rent in Halifax would have been $573 per month. The target rents would need to be 45% below the 2016 median market rent in Nova Scotia, and 36% below in Halifax.
- **2020 data** – is needed from the next Census to bring these figures up to date, and the expectation is that the trends have continued. There are likely small improvements in incomes, increasing rent, and a similar STIR for those in core housing need.

The number of rental units, target monthly rent, and total gap are all substantial, keeping in mind closing the full gap would eliminate all rental affordability issues across the province. While the rising incomes coupled with more slowly rising rent are gradually helping, this will not make a substantial difference for decades. Tackling the issue with a strong goal requires a new concerted effort.

The most serious cases among those in CHN are likely candidates for the "collective housing" portion of the CMHC housing spectrum. These households are well over the 30% STIR standard, and are in need of more comprehensive supports. A discussion of the Housing Nova Scotia portfolio of social housing units is contained in the Appendix.

3. Rental Business Environment

3.1 Revenues and expenses

It is natural to consider whether rental properties could be managed in a way that lowers costs and minimizes year-to-year increases. Already shown in sections 2.4 and 2.5, rent increases are low and rising more slowly than other household costs. However, the following examines whether there is any scope for further reductions in costs by property owners. Revenue and expense data for Nova Scotia and Canada-wide rental operators covering the latest five years of available Statistics Canada data are show below.

Table 3.1: Rental business financial performance in NS and Canada, 2014-2018

	2014	2015	2016	2017	2018
Canada					
Revenue	38,569.60	40,543.60	42,292.90	44,348.00	46,640.10
Expense[1]	25,129.30	26,492.50	28,029.80	29,276.90	30,696.30
Nova Scotia					
Revenue	784.8	813.8	870.9	913.7	979.7
Expense[1]	540.3	563.5	598.1	630.6	672.4

Source: Statistics Canada. Table 21-10-0221-01
Note: 1. Expenses do not include business income taxes.

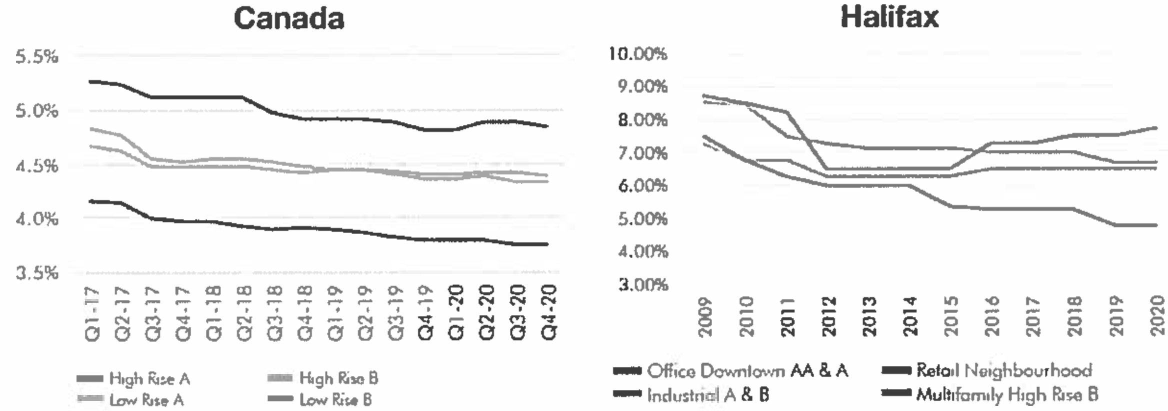
Key observations:

- **Revenues** – for Canada increased 21% over the period, or an average annual compound rate of 3.87%. Nova Scotia revenues rose 25%, or an average annual compound rate of 4.54%.
- **Expenses** – The Canadian expenses increased 22% over the period, or an average annual compound rate of 4.08%. In Nova Scotia, the costs rose 24% or an average annual compound rate of 4.47%.
- **Overall** – revenues are just matching rising expenses in Nova Scotia but are falling behind nationally.

3.2 Profitability

Simple differences between revenues and expenses above do not provide a clear sense of profitability since these do not account for all expenses. Capitalization rates (cap rates) are common indicators of profitability for investors in real estate. The cap rate is the net operating income divided by the market value of the property (purchase price). Higher values indicate greater profitability, and these are often compared to low/no risk bonds and treasury indices. There should always be a higher cap rate to reflect the higher risk of investing in rental properties than in bonds or treasury bills.

Figure 3.1: Capitalization rates[1] in Canada and Halifax by building type[2]



Source: CBRE Research, 2020.
Note: 1. The CAP rate is net operating income (after tax revenues) divided by the capital cost to build apartments.
2. Canada high rises are 5 storeys or more, while low rises are 4 storeys or less. Class A buildings are newer, higher-end, and higher rent than Class B. The Halifax data only show high rise Class B, while other Halifax types shown are not residential apartments.

Key observations:

- **Canada** – high rise class B cap rates have declined to just below 4.5% in the last two years. This is driven primarily by the rising cost of real estate and construction, as well as historically low interest rates.
- **Halifax** – high rise class B cap rates dropped from about 7% a decade ago to about 4.75%. Cap rates for this building type dropped more than for other types in Halifax. Cap rates are different across NS and even within areas of HRM such as lower rates on the peninsula versus higher rates for Dartmouth and suburbs.
- **Overall** – cap rates show there is pressure on profitability as property values and construction costs increase (cap rate denominator) more rapidly than rental rates and income (cap rate numerator). Other building types are already more attractive investments than multifamily class B properties that are commonly associated with affordable housing. Policies that squeeze profitability further (e.g. rent control) will dissuade investors, whereas incentives for affordable rental development are urgently needed to maintain and attract investment.

"The currently low rent increase trend of 1.07% on a compound annual basis would seem difficult to lower further given the 4.47% rate of increasing costs. The historically low cap rates are another clear sign that there is little to no room for cost cutting."

There are two distinct types of property lessors, namely: 1) those that are individuals, and 2) those who have employees. As of June 2020 there were 517 lessors of market rentals and 19 lessors of social housing projects (536 total) with employees. This represents 9% of the 6,289 lessors, so 91% are individuals leasing rental units. Since the two types of operators are very different, the following shows how the smaller operations may struggle even more than the sector as a whole. The businesses making between 30,000 and $5 million in revenues are considered small and medium-sized by Statistics Canada. These are divided into quartiles according to revenue to see how the experience differs within the small and medium group.

Table 3.2: Profitability of small and medium sized rental housing businesses in NS and Canada, by revenue quartile[1] in 2018.

	Bottom quartile (25%)	Lower middle (25%)	Upper middle (25%)	Top quartile (25%)
Canada (254,045)				
Revenue	32.40	39.50	56.10	291.60
Expenses[2]	24.70	29.30	39.70	170.40
Nova Scotia (3,405)				
Revenue	33.20	43.90	76.00	465.30
Expenses[2]	26.00	33.50	56.50	350.10

Source: Statistics Canada Small Business Profiles, 2020.
Note: 1. The Nova Scotia revenue ranges in $000s by quartile are $30k - $37k (bottom 25%), $37k - $53k (lower mid 25%), $53k – $115k (upper mid 25%), and $115k - $5 million (upper 25%).
2. Expenses do not include business income taxes.

Key observations:

- **Nova Scotia vs. Canada** – the differences between revenues and expenses (operating profits) are consistently lower for Nova Scotia.
- **Small vs. large operators** – operating profits are lower for small operators both nationally and in Nova Scotia. The only exception is the highest quartile for Canadian small and medium businesses.
- **Key operational costs** – including utilities, wages and salaries, building materials, insurance and property taxes are all contributing to higher expenses.

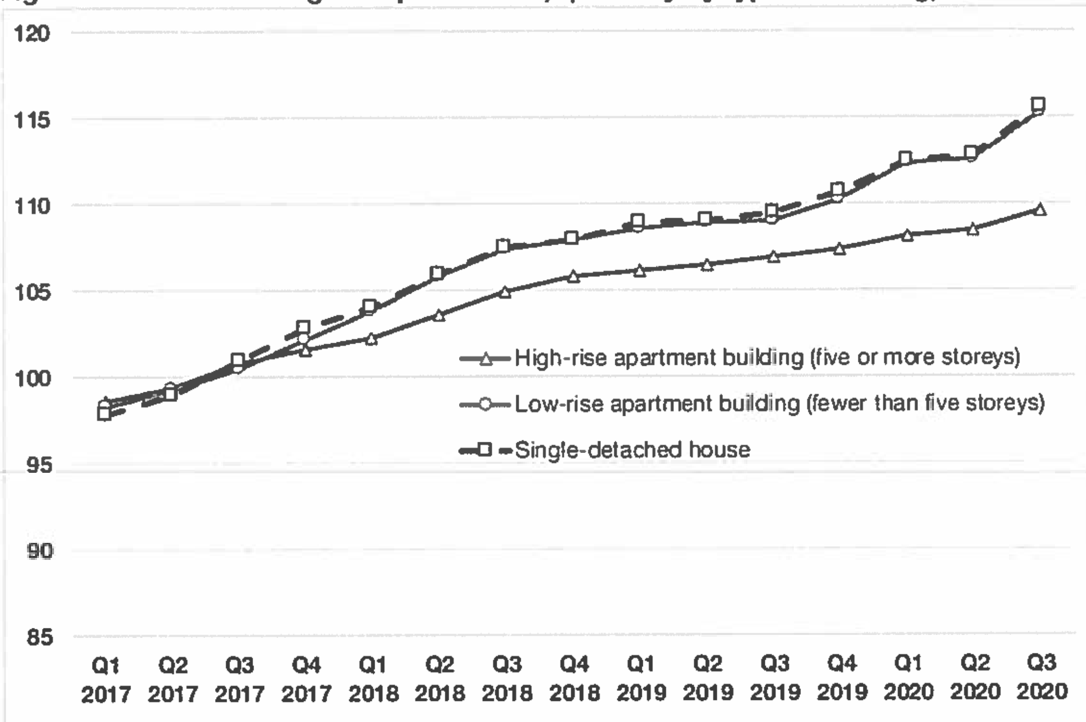
> *"Most rental property owners are small scale, often individuals, making lower profit in Nova Scotia than the national average. Expenses are rising 4.47% on an average annual compound rate so there is little if any room for businesses to succeed on lower revenues."*

3.3 Construction costs

The above operating costs focus on operations, so the following helps to capture the trend in construction and renovations costs. This is important where more units are needed, many need updating for suitability and adequacy (core housing need criteria).

Statistics Canada reports a construction price index for key metropolitan markets (11) including Halifax. The index started in 2017 (base year =100) and the index is easily interpreted as a percentage change from the base year.

Figure 3.2: HRM building cost price index, quarterly by type of building, 2017=100



Source: Statistics Canada Table: 18-10-0135-01 (formerly CANSIM 327-0058)

Key observations:

- **High rise advantage** – High rise (five or more storeys) construction costs are not rising as quickly as the low rise and single detached dwelling costs. Property values may be a factor, where these will be a larger share of total costs in smaller construction projects.
- **Increasing trend** – In these three years, the costs have risen by 3.1%, 4,8%, and 4.9% on a compound annual basis for high rise, low rise, and single detached units respectively.
- **Similar to rest of Canada** – Data not shown here for the composite of eleven (11) metro areas across Canada follows the same path, so the trend is not unique to Nova Scotia.

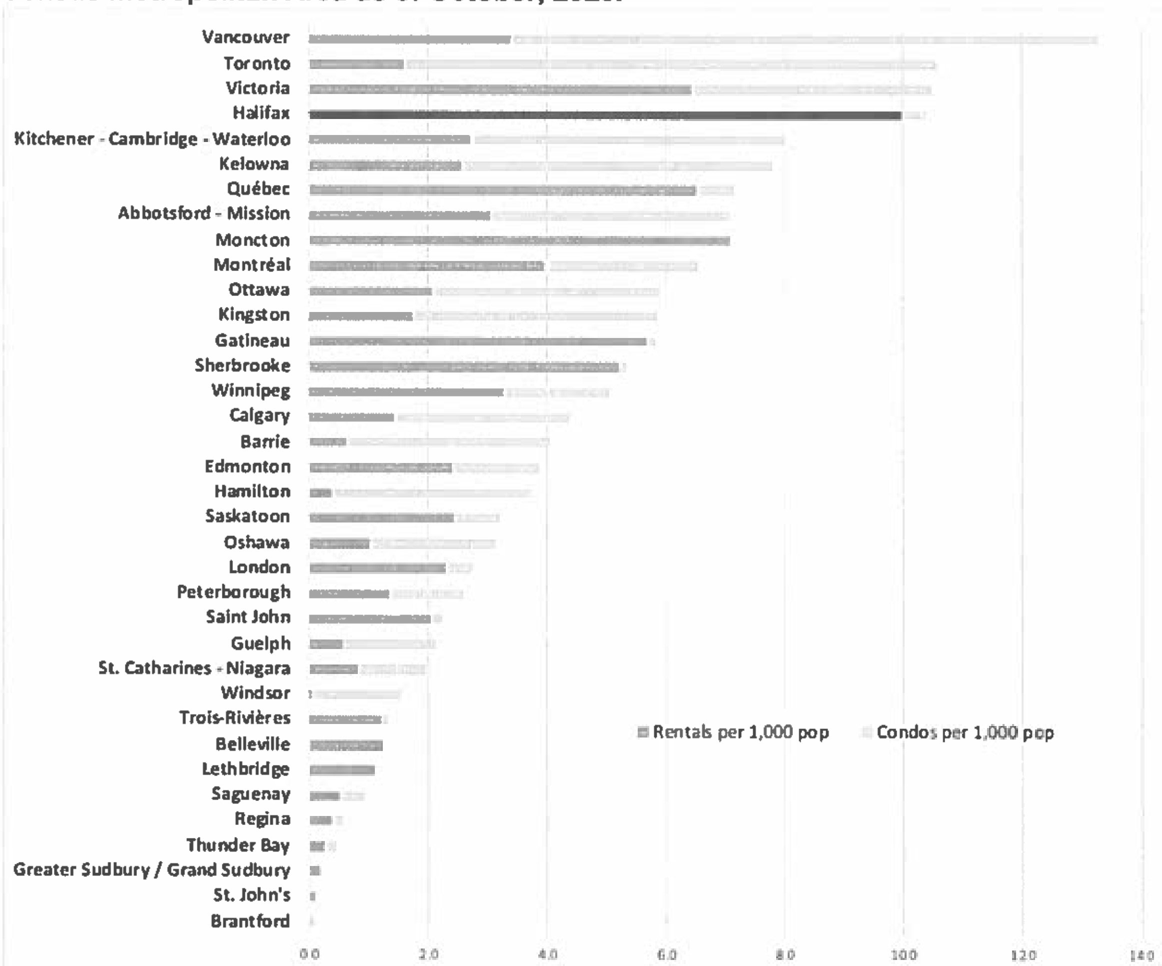
"The costs of construction for all types of dwellings in HRM are rising by 3%-5% on an annual basis, making it difficult for rental operators to face limited future revenues (increases below 2%)."

3.4 Rental property investment

Property owners in Nova Scotia and particularly in HRM have been contributing greatly to the housing stock. Recent CMHC data (Figure below) shows that HRM is fourth in Canada compared to 36 metropolitan areas for units per 1,000 population being brought to market. The data also shows that HRM has the highest per capita rate for purpose-built apartment units (red bar), whereas the top three (Vancouver, Toronto, and

Victoria) have higher proportions of condos in their totals. Condos do not address affordability challenges so HRM leadership on apartment development is key.

Figure 3.3: Apartments and condos under construction per 1,000 population by Census Metropolitan Area as of October, 2020.



Source: CMHC Housing Starts and Completions Survey.

Statistics Canada reports monthly investment in building construction for HRM, Nova Scotia, and Canada. In 2019, nearly $800 million was invested in Nova Scotia apartments, and almost $700 million (87%) of this was in HRM. Since 2015, HRMs share of provincial investments in apartments has steadily increased from about 79% to 87% in 2019. The following table is based on inflation adjusted apartment investment levels from 2015 to 2019 in HRM, Nova Scotia, and Canada. Just over 4,000 market units are coming online now and in the next year or two.

Table 3.3: Investment in apartment construction[1] in HRM, NS, and Canada, 2015=100

	2015	2016	2017	2018	2019
Canada	100%	104%	115%	128%	129%
NS	100%	104%	84%	119%	106%
HRM	100%	98%	86%	129%	116%

Sources: Statistics Canada. Table 34-10-0175-01 Investment in Building Construction; Gardner Pinfold CPI adjusted and converted to index with 2015=100.
Note 1: Includes all types of construction such as new construction, renovations, conversions, and other types.

Key observations:

- **Real increases** – have occurred in all three markets, meaning more is being invested in 2019 than was in 2015 in equivalent dollar value.
- **NS is lowest** – of the three based on the 2019 versus 2015 levels of investment (106%), then Halifax is next (116%), and the national average is highest (129%).
- **Cumulative effect** – The change over the period is not the only concern, since there were drops below 100% in some years for Nova Scotia and HRM, while the national average steadily increased. Canada's cumulative increase was 77% compared to Halifax's (30%), and Nova Scotia's 13%. Each time that means Nova Scotia falls behind the rest of the country.

Real (inflation adjusted) investment in apartments has increased in Halifax and Nova Scotia since 2015, but at a much lower rate than the rest of Canada. This is a sign of weak profitability undermining apartment investment in Nova Scotia, and falling behind the rest of Canada in adding new adequate and suitable rental units that are needed.

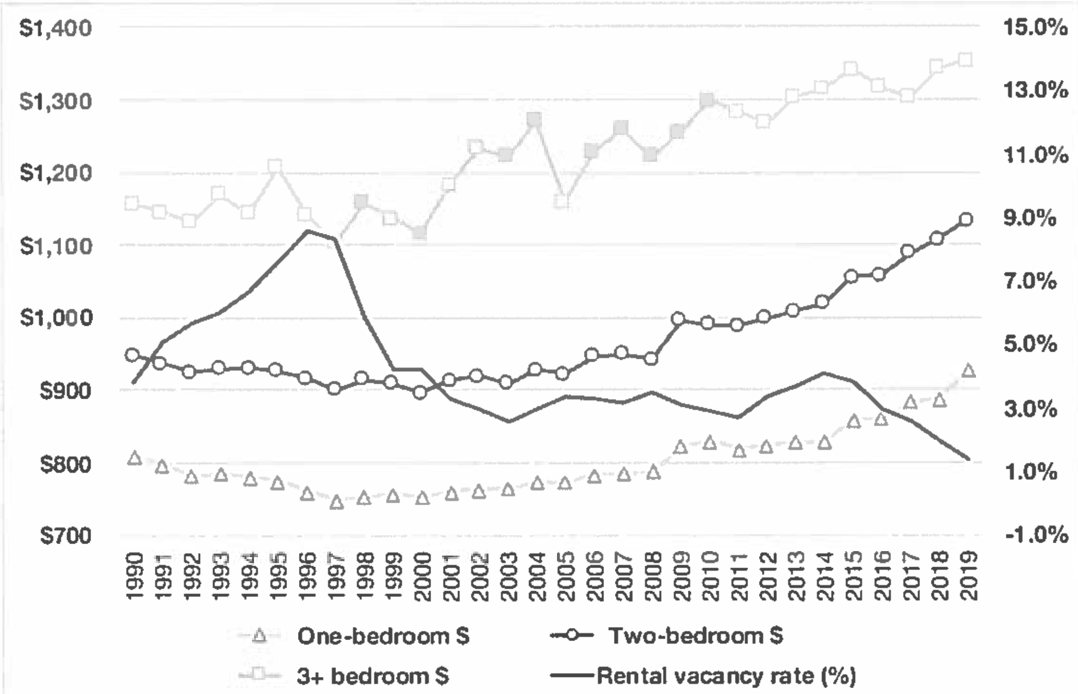
3.4 Vacancy rates

The lack of investment not only has consequences for improvement of existing units and addition of new units. There are two economic implications that exacerbate the affordability challenge, namely:

- **Low vacancy rates** – result from tightening supply of rental units that normally tends to place upward pressure on rental rates. Many studies have shown how rental rates move up with tightening supply (low vacancy), and then rates relax when there is plenty of supply (high vacancy). HRM and Nova Scotia generally are at a low vacancy point in recent history (more below).
- **Economic dependency on investment** – As mentioned previously, most property renters are individuals operating small businesses. Property managers typically do not have staff and therefore contract for many goods and services from electricians, plumbers, painters, carpenters, and a many others in order to maintain, renovate, or build properties. A dampening on investment will have an effect on the supply-chain, which includes many of the people living in rented accommodations. Low rates of renovation and construction for apartments will undermine the incomes of households that are already stretched.

The figure below shows the relationship between rent for different sizes of apartments (one, two, and three+ bedrooms) and the vacancy rate since 1990. When vacancy (blue line) is high, the rents are low, and when vacancy falls, the rents rise, especially in recent years. The rental rates are inflation adjusted to 2016 values using the Nova Scotia CPI (all items) so these are changes in real terms. All three rent cost paths are bending upwards to the right as vacancy has reached all-time lows.

Figure 3.4: Nova Scotia vacancy rates and rent by apartment size, 1990-2019



Source: CMHC Canadian Housing Observer, Housing Market Indicators

A rate of 3% or more is healthy for meeting demand and keeping rental rates competitive between property managers. Since 2016, the Nova Scotia vacancy rate has been below 3%, and it reached 2% in Fall of 2018, then slid further to 1.4% in the Fall of 2019. The Halifax vacancy rate was 1.6% in Fall 2018, and fell to 1.0% in Fall 2019.

The median rent for 2 bedroom apartments in many of the Halifax CMA submarkets are above the threshold for 30% of the median household income in those areas. The Peninsula, Bedford, and some areas outside the urban centre have an increasing number of households in core housing need.

As of March 2019, a recent historic high of 4,020 rental units were under construction in Halifax. Although this would seem promising, it does take time for the units to reach market, and they are not all directly targeting the affordability problem. Many of the new units will attract households to move from lower rent to higher rent units, and this will leave affordable units available for others. Keep in mind the transition of renters from one unit to another is normally an opportunity for landlords to update a unit and increase the rent at the same time. Many property management companies have enough turnover in units each year to do renovations on 10% to 20% of their stock.

4. Rental Economics and the Affordability Gap

This section provides an overview of typical costs to build and operate apartments in HRM and rural Nova Scotia. Next, the costs serve as the starting point for determining rental rates under current market conditions. Turning to affordability issues, core housing needs are presented, and finally the potential for more affordable units are discussed.

4.1 Typical costs to build and operate apartments

The following is based on input from IPOANS members, with validation from other sources for key inputs and assumptions. Keep in mind land costs and specific circumstances for building projects do vary. The following is on the lower-mid end of typical construction costs to help focus on the units most relevant for affordability.

Table 4.1: Pro forma for apartment[1] construction, HRM vs. rural NS

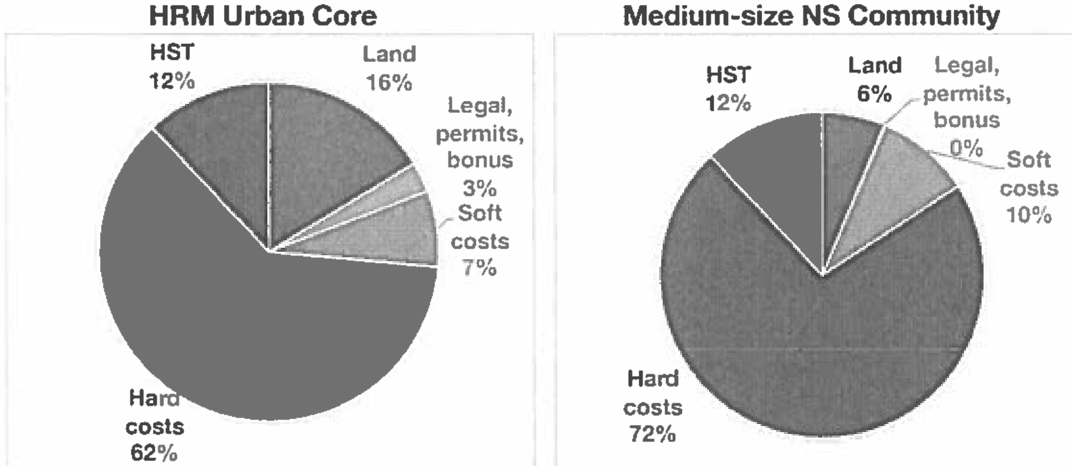
Cost - $ Per unit	HRM Urban Core	Medium NS Community
Living area (sq. ft)[2]	1,200	1,200
Land	$45,000	$10,000
Permits & other[3]	$8,000	$232
Soft Costs[4]	$20,000	$15,000
Hard Costs[5]	$170,000	$115,000
Sub-Total	**$243,000**	**$140,232**
HST on Value	$33,048	$19,072
Total costs	**$276,048**	**$159,304**

Notes:

1. Based on a mid-market 100 unit buildings in HRM, and 30 to 50 unit buildings in smaller communities like Kentville, Truro, or New Glasgow. 2. Living areas (sq. ft) are based on Rentals.ca reported Canadian averages in February 2021. 3. Includes building permits, density bonus, deed transfer, and regional development charges. 4. Soft costs include legal fees, environmental testing, design and engineering fees, interest and lenders fees, land surveys, insurance and bond costs, marketing and advertising, and others. 5. Hard costs include all construction materials, labour and equipment. The square foot costs shown here ($141) are lower than those reported for Halifax in the 2020 Altus Group Construction Cost Guide ($160-$210 for wood frame 4-storey buildings, or $180-$250 for concrete and steel for up to 6 storey buildings).

Hard construction costs are clearly the largest share of the total, but land costs can play a significant role in urban areas. The HRM costs also do not incorporate the effect restricted spaces around construction sites have on logistics including laydown areas for construction materials, movement of heavy equipment and vehicles, and potential added staff needed to meet safety requirements.

Figure 4.1: Percentage share of construction costs



Key observations (Table 3.1 and Figure 3.1):

- **HRM urban core vs. medium NS communities** – low-medium priced 1,200 square foot apartments are about $116,000 more expensive to build in HRM.
- **Hard costs** – are the largest share of the total representing 62% in HRM and 72% in medium-sized NS communities.
- **Land costs** – make the biggest difference between HRM (16% of total) and other communities (6% of total).

Hard costs for construction are difficult to influence, however HST, building permits, value of land, and some other soft construction costs offer possibilities for policy interventions.

4.2 How rental rates are established

Rental rates are based on the combination of capital costs and operational costs for apartments.

The **capital costs** (calculated above) are amortized over a 20 to 30 year period, and that investment must provide a reasonable rate of return. As mentioned briefly above, the rate of return from rent must reflect the level of risk associated with the investment, otherwise investors would be better off choosing other ventures or simply investing in lower risk bonds or guaranteed income certificates (GICs). The 5% rate shown in the next table is consistent with rates common to companies across Canada in the real estate leasing business. These low rates are only possible in the current context of historically low Bank of Canada and lending institution interest rates. Should interest rates rise, the rate of return would go up, although there is an interplay between interest rates and capital costs that may have some offsetting influence on overall costs.

The **operational costs** are based on annual expenses for property taxes, insurance, utilities, building management and administration. These must simply be covered each year by the rent and are divided across the units in a building. All operational expenses except for *part* of the "property management" are simply passed through the property owner. Those costs support many other goods and services providers that the property owner coordinates in order to care for apartments.

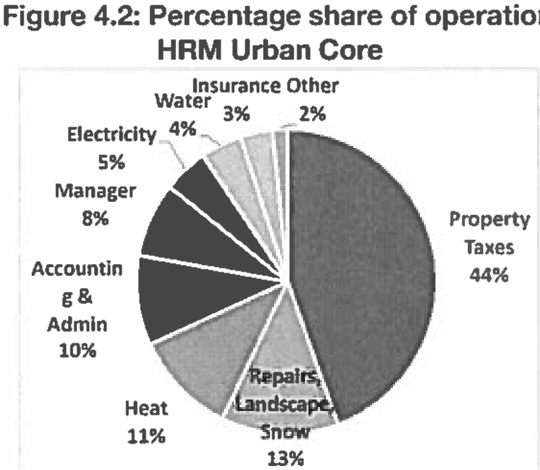
Overall, the property owner is paid a small portion of operational costs for managing the apartments, earns a reasonable rate of return on the capital investment, and holds the equity in the property.

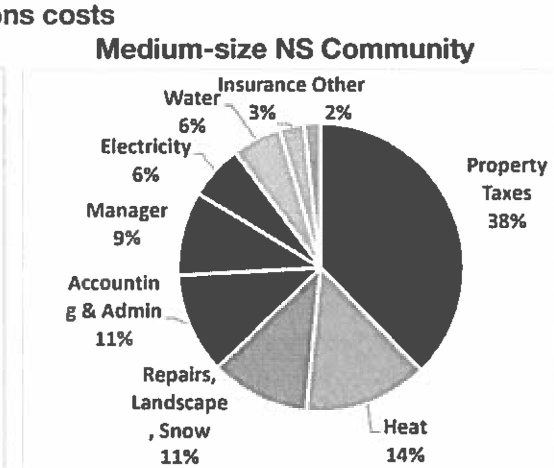
Table 4.2: Determination of rental rates in HRM vs. rural NS by size of unit

Cost - $ Per unit	HRM Urban Core	Medium NS Community
Living area (sq. ft)	1,200	1,200
Capital costs		
Total from table above	$276,048	$159,304
Required Rate of Return	5%	5%
Sub-total (Annualized capital)	**13,802**	**7,965**
Operating costs		
Property Taxes	$2,800	$1,600
Insurance	$220	$130
Heat	$700	$700
Electricity	$300	$300
Water	$280	$280
Resident Manager	$500	$500
Repairs, Landscape, Snow Removal	$800	$800
Accounting & Property Management	$600	$600
Miscellaneous	$100	$100
Sub-total (operating costs)	**$6,300**	**$5,010**
Annual total costs	**$20,102**	**$12,975**
Monthly total costs	**$1,675**	**$1,081**

Particularly in HRM, property taxes are the largest share of operational costs. Repairs and maintenance along with heating are the next largest.

Figure 4.2: Percentage share of operations costs



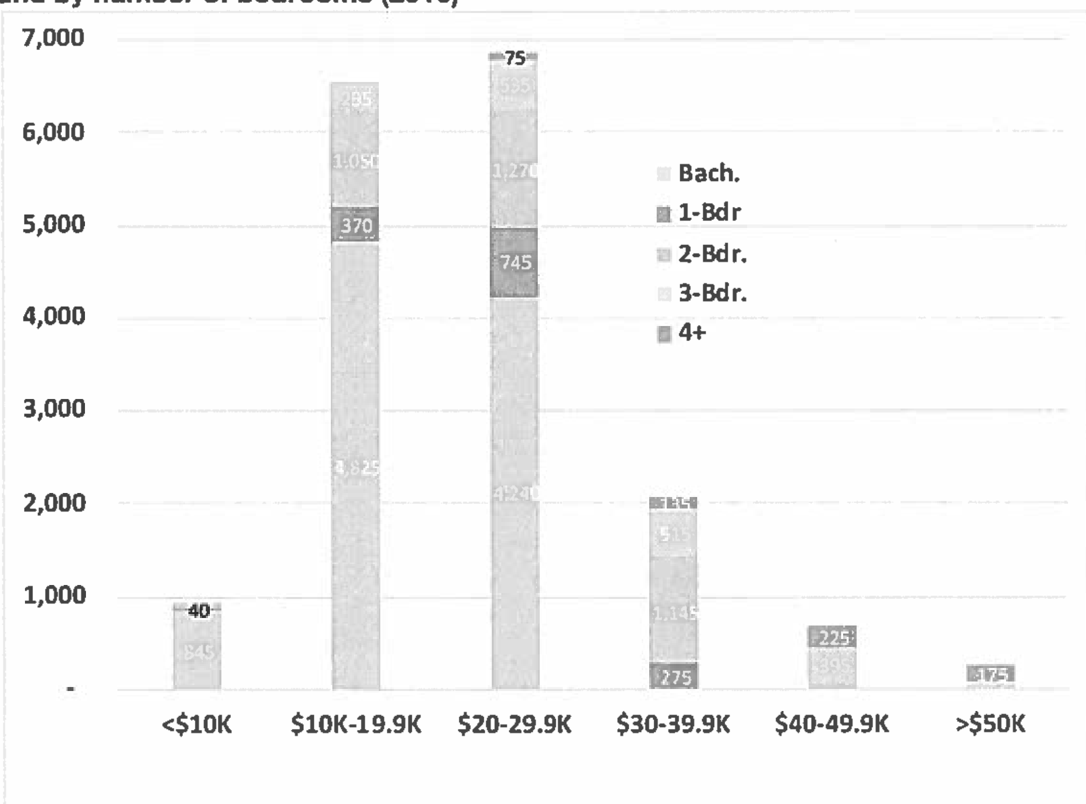


Most of the operational costs are difficult to change including electricity, water, insurance, repairs and others, but property taxes are the largest item and some policy interventions are possible to support affordability.

4.3 CHN affordability gaps by type of unit

The 2016 CMHC is the latest available data for estimating affordable housing needs. Recognizing that this needs to be updated to 2020 and really ought to be forward looking considering the time needed to develop affordable housing options. The current and future context will be added to the discussion below. The figure below shows the breakdown of the 17,315 HRM households in CHN according to household income levels and number of bedrooms.

Figure 4.3: HRM Households under CHN affordability standard, by income level and by number of bedrooms (2016)



Source: CMHC (2016 Census and NHS data)

The figure data are also shown in tabular form below along with the maximum rent threshold for households in each income level (left column). Recall Figure 2.1 depicting the CMHC housing spectrum, with affordable housing at the higher end of the CHN segment and extending into the market housing segment of the spectrum. The green highlighted cells in the table below could therefore be the basis for affordable housing discussions, recognizing the non-highlighted units that require much deeper rent reductions must be addressed by other means. One cell is highlighted in yellow where it may be possible to meet a portion of those units with ambitious efforts to develop more affordable housing.

Table 4.3: NS Households in CHN by income level and by number of bedrooms (2016)

Income (Monthly rent)	Bach.	1 Bdr	2 Bdr.	3+Bdr.	Total
HRM Urban Core					
<$10K ($125)	845	40	30		915
$10K-19.9K ($250)	4,825[1]	370	1,050	295	6,540
$20-29.9K ($500)	4,240	745	1,270	610	6,865
$30-39.9K ($750)		275	1,145	650	2,070
$40-49.9K ($1,000)			60	620	680
>$50K ($1,250)				245	245
Sub-total	9,910	1,430	3,555	2,420	17,315
Other NS[2]					
<$10K ($125)	649	31	23		703
$10K-19.9K ($250)	3,706	284	807	227	5,024
$20-29.9K ($500)	3,257	572	976	469	5,273
$30-39.9K ($750)		211	879	499	1,590
$40-49.9K ($1,000)			46	476	522
>$50K ($1,250)				188	188
Sub-total	7,612	1,098	2,731	1,859	13,300
Total	**17,522**	**2,528**	**6,286**	**4,279**	**30,615**

Source: CMHC (2016 Census and NHS data)
Notes:

1.Green shaded cells are candidates for affordable housing development according to the CMHC housing spectrum (Figure 2.1) and depth of rental adjustment required. Yellow shaded cells may be partially addressed by affordability efforts.
2. Other NS units by income level and number of bedrooms are based on the HRM distribution applied to the number of CHN units identified for rest of NS by CMHC.

The 12,155 green and yellow cells in HRM and 9,337 other NS green and yellow cells are carried forward to the next table where these now indicate the aggregate value of rent overshoot, meaning the total estimated amount of rent ($ millions) that must be reduced for those households to escape CHN under the affordability standard. This is calculated by taking the difference between market rental rates (Table 3.2) and the rent threshold (Table 3.3.) to escape CHN according to the affordability standard.

For the subset of households targeted by affordable housing efforts, there is an annual estimated overshoot of $77.0 million in HRM and another $42.7 million in the rest of NS, for a combined total of $119.7 million across the province. Some of this may be a challenge to address (yellow highlight), but this is such a large portion that it cannot be left out of the discussion.

Table 4.4: Annual rent affordability overshoot[1] for NS Households in CHN by income level and by number of bedrooms ($ millions, 2016)

Income (Monthly rent)	Bach.	1 Bdr	2 Bdr.	3+Bdr.	Total
HRM Urban Core					
<$10K ($125)					
$10K-19.9K ($250)	34.0				34.0
$20-29.9K ($500)	17.2	4.9			22.1
$30-39.9K ($750)		1.0	8.9		9.9
$40-49.9K ($1,000)			0.3	8.1	8.4
>$50K ($1,250)				2.5	2.5
Sub-total	51.2	5.9	9.2	10.6	77.0
Other NS					
<$10K ($125)					
$10K-19.9K ($250)	19.1				19.1
$20-29.9K ($500)	11.9	2.9			14.8
$30-39.9K ($750)		0.4	4.2		4.7
$40-49.9K ($1,000)			0.1	3.4	3.5
>$50K ($1,250)				0.8	0.8
Sub-total	30.9	3.3	4.3	4.2	42.7
Total	**82.1**	**9.3**	**13.5**	**14.8**	**119.7**

Note:

1. Overshoot is calculated by taking the difference between market rental rates (Table 3.2) and the rent threshold (Table 3.3.) to escape CHN according to the affordability standard.

5. Regulated Markets

5.1 Nova Scotia experience

It can be tempting to adopt a regulatory approach such as rent control, especially when it appears to have potential initially. However, it is often helpful to draw from related experience while stepping away from a highly charged issue such as rent control. How have similar problems been tackled before, and how might simpler models inform perspectives on more complex challenges? Here we look at the approach Nova Scotia has taken to regulating gasoline products and compare and contrast this with rental market regulation. The brief diversion to this topic provides a great deal of perspective.

The Government of Nova Scotia introduced price regulation of gasoline and diesel fuel on July 1, 2006. Gardner Pinfold has been extensively involved in the background research to develop the initial regulation, as well as subsequent evaluations and reviews every five years. This has been largely successful considering the regulation is still in place fifteen years later, surviving multiple changes in government, and broad public support remains. There are still challenges for industry operators, especially during substantial shifts in world markets for petroleum products, but there are adjustment mechanisms, periodic reviews and appeal processes to support a robust regime.

5.2 Policy criteria and approach

The decision to regulate gasoline and diesel margins was taken against the backdrop of three key factors not unlike todays rental affordability concerns. The first two factors below (price stability and maintaining infrastructure) are at odds and require balancing, while the third highlights the importance of different circumstances across the province:

- **Reducing price changes (stability)** – consumers complained about gas price changes, especially sharp increases, and objected to the seeming arbitrariness of the changes. Controlling price changes and bringing stability to the market is one of the main objectives of the regulatory framework. **This could also be said of rental affordability challenges and *one* goal of rent control regimes.**

- **Maintaining infrastructure** – the number of gasoline outlets in NS declined between 1990 and 2005. Maintaining or improving the viability of gasoline outlets through controlled prices and better margins represented a second objective of regulation. **Likewise, maintaining or increasing supply of affordable rental units is a prime concern for Government, but this is not the primary goal of rent control regimes and may even be a drawback.**

- **Wide price variation within the province** – while some gas price variation across the province is understandable; often the differences would exceed what could be explained. Government had difficulty explaining why market forces would allow prices to vary by 3-4 cents per litre (cpl), when all the gasoline came from the same source, was sold by the same suppliers, and through similar outlets under the same brand names. Reducing price variation across the province became the third regulatory aim. The regulatory approach recognized there are small differences for gasoline outlets across the province that are inherent and must be respected. **Although recognized, dynamics of local sub-markets are very challenging to incorporate into rent control regimes.**

There are some clear distinctions between gasoline products and rental housing units and their respective regulatory regimes:

- **Regulated margins not total price** - The NS gasoline regulations (maximums) only apply to the margins for gasoline outlets, not to their total prices. The gasoline outlets are guaranteed a minimum margin, but cannot exceed a maximum margin set every five years. This recognizes the need to maintain (or increase) outlets by setting a floor for profitability, but also recognizes that gas outlets have no control over their primary input cost (buying the fuel to put in their station tanks). There is no regulation of the rest of the supply chain that includes North American crude oil markets, refineries, wholesalers and distributors, and transportation companies, or any of the input costs to operate the stations every day. Gas station operating costs increase year to year at different rates (not one simple percentage) for labour, utilities, credit card fees, repair and maintenance, so these are reviewed periodically to determine changes to the margin over time. Simply putting a cap on apartment rental increases does not control the supply chain rental providers rely on and which they have little to no control over. All the major input costs vary greatly by location (e.g. Antigonish vs HRM) and over time (e.g. monthly, seasonally, annually).

- **Simplicity vs. complexity of units** – in the case of gasoline, the unit of measure is a litre of fuel, with regard to differences between diesel, gasoline, full-service, and self-service products. From the perspective of rental apartments themselves, it could be argued that each "unit" is unique based on location, building type, height above ground level, orientation within the same building (e.g. south facing, views, exposure to noises), floorplan within a building, age and condition of buildings or units, and many other factors. The unit to be regulated is complex. Furthermore from the perspective of people using the rental units, no two individuals or families would be the same in a given rental apartment. Every household circumstance is different and is changing over time, unlike a unit of gasoline that is essentially used in the same way by everyone and represents the same value to everyone that uses it (consistent energy to propel their vehicle). Regulating gasoline is much more straight-forward, yet it is still a challenge to do well and some issues persist. Attempting to regulate rental apartment units with the same level of fairness and sophistication is not possible.

- **Stability rather than affordability** – is the only objective of gasoline margin regulation, which is much more achievable. There is no view to reduce the cost of fuel for lower income households, only eliminate the volatility for everyone. In fact gasoline regulation has slightly increased the cost for everyone, so there is actually a cost to stability even without considering the administrative costs. Trying to make some (fuel or rental units) available at below market price (affordability goal) is a much different challenge and means there will be a transfer of resources from higher income to lower income consumers in some form. Either a transfer occurs through government interventions (public support) or there must be progressive pricing where higher income consumers pay more for the product than lower income consumers. It is highly unlikely that gasoline regulation would have passed, if the public were told that some people would need to pay more at the pumps in order for others to have "affordable" fuel. There is a current public perception that rental providers will bear most of the burden under rent control, but that is not the long run evidence from rent control research and the public should be fully informed as discussion continues (more below).

In every way possible, Nova Scotia regulation of gasoline has attempted to mimic the market to provide some stability for consumers while maintaining a functioning retail network across the province. A blunt and simplistic rent control regime that makes no attempt to reflect market conditions, will have numerous unintended consequences.

5.3 Rent control in North America

In the U.S. and Canada there is widespread acceptance by both policy-makers and rental industry members that rental affordability is a pressing problem that deserves greater attention. Rent control measures (RC; rent freeze) and more recently the milder variations termed "rent stabilization" (hereafter included as rent control; maximum annual rent increases) have not seen widespread adoption. Four provinces in Canada have implemented measures (BC, MB, ON, and PEI). Four U.S. states have implemented versions of rent control including California, New York, New Jersey, and Maryland. Of the 182 U.S. cities with rent control, all but two are found in the three states of New York, New Jersey, and California. Only one city in Maryland and the city of Washington, D.C. are examples outside the main three states.

The limited application of rent control still provides enough experience for extensive research and information to be published to date. Much of the literature is found in the field of economics, although there is increasing interest in other social dimensions of rent control. Paul Krugman, winner of the 2008 Nobel Prize in Economics and best known as a columnist for the New York Times, commented on the results of a survey of economists regarding their perspectives on rent control. He recognized that economists generally disagree on a wide range of issues, but in the survey 93% were found to be in agreement with the statement "A ceiling on rents reduces the quantity and quality of housing available". To this he said rent control is "among the best-understood issues in all of economics, and – among economists, anyway - one of the least controversial."

There have been a few "review" papers published in recent years that examine the findings of over 30 empirical studies published in peer-reviewed journals between 1972 and 2017. The following is a synopsis of findings from key papers (Rajasekaran et al, 2019; Sturtevant, 2018).

- **Benefits for those under rent control** – are predominantly true where those living in controlled units pay lower rent than those who live in units without rent control. They also tend to stay in their unit longer (permanence), and this is generally viewed as an advantage in terms of stability and avoiding more frequent relocations. There are some caveats in cases where landlords raise rents by the rent control maximum each year as a safeguard, when they would otherwise have only raised rent occasionally. Also those under rent control stay in place more often because they don't want to lose their rent controlled unit, when they would otherwise move to a better location for proximity to work or other social benefits. However, the overall consensus is that rent control is beneficial for those who can access it.

- **Poor at helping target group** – since rent control is intended to help low income households, but often misses the mark in two ways. It may miss low income households that are not in controlled units, and may capture households with higher incomes that don't need rent control. This is also found to increase the longer rent control is in place. There are increasing mismatches between those who need it and those who get it mainly because household finances improve over time yet they remain in the same rent control units. Mismatches in terms of the unit suitability for the household also arise as household compositions change over time (e.g. having children, or children moving out).

- **Higher rents in uncontrolled markets** – are found to result from lower rents in rent controlled markets. In some regimes the rent control only applies to buildings over a certain size (e.g. 6 units or more), to certain building ages (e.g. 10 years old or more), or to certain geographic areas. Rent control does not apply to the initial rent set for newly constructed units so there is still an incentive to bring more units to market. New buildings are constructed with higher rents and greater investments are made in existing buildings not subject to rent control. Property owners attempt to cross-subsidize rent control units with income from new or uncontrolled units, and this effectively leads to a wealth transfer from those not subject to rent control over to those who benefit from rent control. To the extent that all renters are aware of this, there can be public outcry from those being "asked" to pay more in support of rent control.

- **Maintenance may be deferred under rent control** – where property owners have less incentive or financial means to improve units. Maintenance to minimum standards is afforded by annual rate increases and often required by law, but more substantial improvements tend to be delayed or foregone. Investments by property owners are instead made in other properties not subject to rent control. This has been a strong finding, especially where conversion to condominiums has been shown, but it is not necessarily true for all buildings or jurisdictions, and may occur more or less depending on: age of buildings, market dynamics, and individual property owner circumstances (e.g. small versus large operators with different investment prospects).

- **Rent control reduces supply of units** – as property owners shift their attention and investment to condo developments, new apartments, or other markets/jurisdictions not subject to rent control (investment exodus). The shift is the result of both putting less money into older buildings and accelerating the timeline for demolishing and redeveloping older buildings. Since investment capital for larger players tends to be mobile, resources are diverted to other more profitable opportunities. This reduces the number of rent control units and the number of "affordable" units, but may not reduce the total number of rental units. This finding is quite consistent across jurisdictions and is one of the most studied aspects of rent control.

- **Administrative costs** – are significant, especially for more sophisticated versions of rent control with different specifications according to geographic zones, better targeting to households in need, and better tracking of rental provider activities. Government efforts tracking rent increases, making determinations concerning complaints from tenants and landlords, verifying claims and justifications for rent increases outside of standard limits, and program oversight all require public funds to carry on. Another public implication of rent control tends to be lower rental revenues and property values under rent control, and therefore lower tax revenues for governments.

- **Other unintended consequences – first** includes the reduced economic activity from pressure to lower operating costs under rent control. Suppliers of goods and services to rental properties may see less revenues and jobs that would actually help their workers afford rental accommodations and contribute tax revenues to governments. This has not been researched as extensively, but has been found in some jurisdictions. **Second**, the construction location and design of new buildings under rent control may deviate from other public priorities. New rental unit construction may be re-located more distant from community centres and this places more pressure on transportation, water and sewer, and other infrastructure. Buildings may be constructed according to lower cost designs that are not aligned with energy efficiency or climate action objectives. **Third**, there are intergenerational inequities related to the deferred maintenance and future reduced supply of units (discussed above), that become larger problems as rent control is kept in place for long periods. These problems shift costs from the present to future populations including: rent control households and non-rent control households, as the general public (non-renters). **Fourth**, is a common related interest in fostering mixed-use neighbourhoods, economic and racial integration, and other societal objectives. The likelihood that rent control tenants will be "locked-in" for many years has been shown to affect landlord decisions favouring acceptance of more "reliable" tenants, especially in tight low vacancy markets, and this may counter efforts to better target rental units for those who need them most.

There are a number of rent control regimes that have attempted to address some of these issues with amendments in recent years, but the challenges of balancing competing objectives and managing a complex problem leave the observations above still true today.

6. Long-Term Solutions

The following is based on interviews with a cross-section of private, public, and non-profit representatives involved in affordable housing issues in Nova Scotia. One overarching comment from all representatives was that the complexity of affordability issues requires persistent and joint efforts from all involved. The formation of a Nova Scotia Affordable Housing Commission by the Province is widely supported. This should meet the pressing need for regular meetings with the appropriate combination of perspectives and skill sets, with a mandate to move affordability solutions forward in a meaningful way.

Temporary relief measures will not address the long-term challenges of providing enough affordable units while the underlying cost pressures continue. Rent control was not considered a long-term solution by those we engaged, and it does not feature in the solutions outlined below.

The providers of market rental units are currently in the best and perhaps only position to substantially address the problem in the medium term. However, to do this will require a coordinated effort and measures that leverage their strengths in cost-effective construction and renovation, getting projects successfully developed, and meeting the ongoing needs of families.

6.1 Annual Property Tax Rebates

This option involves granting annual property tax rebates for the development of affordable housing units. Conceptually, developers who build or renovate rental property with an affordable housing component would receive a full or partial rebate on the annual property taxes that apply to the affordable housing units. While no such program exists in Nova Scotia, examples can be found in other jurisdictions. The City of St. Catherine's, Ontario has created a number of policy tools to incent developers to create affordable housing through redevelopments of existing housing stock. The Tax Increment Finance Program (TIF) provides an annual rebate of 45% of the increase in property taxes due to redevelopment once a project is complete. Where a redevelopment includes a minimum of 30% affordable housing units, the annual rebate increases to 65%.

While this only pertains to the redevelopment of existing housing stock, the rebate could also be applied to new developments that include an affordable housing component. Non-profits in Nova Scotia currently receive property tax breaks for affordable housing, and this approach could also be applied to the private sector.

Advantages / Disadvantages

As with any tax credit or rebate, the primary disadvantage is that government is foregoing a stream of revenue used to fund operations and programs. One advantage is that property tax rebates have been successfully used in other Canadian jurisdictions so experience and lessons learned could be used to ensure a system for Nova Scotia is more effective.

6.2 Rebate on PST (HST Self-assessment)

This involves providing developers with a rebate on the provincial sales tax (PST) portion of the Harmonized Sales Tax (HST) up to a maximum of $24,000 per unit. The development would qualify by meeting one of the following criteria:

- participating in a CMHC affordable housing program;
- participating in a Housing NS capital contribution project;
- 10% of units would be offered at 40% below market rates based on appraisals, and annual reporting to Housing NS or equivalent would occur; or
- other affordable rental development criteria approved by the Province.

Ontario offers a 75% rebate up to $24,000, where at least 10% of units are offered at 40% below market rates. Ontario PST is 8% versus the Nova Scotia rate of 10%.

The federal government offers up to $24,000 on newly purchased or constructed dwellings valued at $450,000 or less[1]. While this only applies in most cases to single dwellings, this framework could apply to larger developments that include an affordable housing component.

The province of Manitoba offers a rental housing construction tax credit to private and non-profit housing developers to help incent the development of affordable rental housing. Developers who construct new rental housing can offset a proportion of their capital investment through a tax credit equal to 8% of the capital cost of construction to a maximum of $12,000 per residential unit. To receive the credit, a minimum of 10% of units constructed must have affordable rents. Non-profit developers receive a fully refundable tax credit in the year the tax credit is earned and as qualifying units are rented. Tax credits to for-profit developers are claimable over a minimum of five years and are capped based on the developer's provincial income tax[2]. Tenants must be under the affordable housing rental program - household income limit of approximately $57,000 (families without children) and $75,000 (families with children). The table below outlines the average rents (including essential utilities) that can be charged under this program in sample market and non-market developments.

Table 6.1: Manitoba rental housing tax credit - average rent by unit type

	Studio	1BR	2BR	3BR	4+BR
Winnipeg and Area (market)	669	964	1,024	1,267	1,440
Brandon (market)	558	728	969	1,124	1,293
Thompson (market)	609	837	1,035	1,122	1,240
Southern region (non-market)	466	631	807	985	1,114
Northern region (non-market)	454	663	778	978	1,114

Source: Government of Manitoba, 2020. Rental housing tax credit (online: https://www.gov.mb.ca/housing/progs/rental_housing_tax_credit.html)

[1] https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/gst-hst-businesses/charge-collect-home-construction/new-residential-rental-property-rebate.html
[2] https://www.gov.mb.ca/housing/progs/rental_housing_tax_credit.html

Advantages / Disadvantages

The main advantage to a construction cost tax credit is that it should result in the actual development of affordable housing units, as opposed to programs such as density bonusing where developers have the option to provide other amenities or pay into a general fund in lieu of developing rental units.

6.3 Use of Government Surplus Land

Some municipalities have considered donating surplus land or using the proceeds of the sale of surplus land to increase affordable housing. While no relevant examples of straight donation of land could be found, some examples of the use of funds raised through sale exist. London, Ontario, for example, has a housing-first policy that "prior to the disposal of property by the city which has potential for affordable housing needs, the Housing Leadership Committee will be provided with the opportunity to advise Council if the property should be retained by the City for affordable housing purposes." The Region of Peel, despite having a lack of surplus lands, has identified all government owned lands and evaluated the affordable housing and intensification potential of each parcel. The District of the Municipality of Muskoka, Ontario has considered the following options for the use of surplus land in the development of attainable (affordable) housing:

- Municipality could build attainable housing.
- Municipality could give the lands to a private or non-profit proponent to build attainable housing.
- Municipality could sell the lands to the highest bidder and use proceeds for a specific attainable housing initiative.

Advantages / Disadvantages

The main advantages to this approach are that it represents a cost-effective way for developers to acquire surplus land through donation and/or it helps fund the development of affordable housing. The primary drawback is the general lack of surplus land in areas of the HRM where affordable housing is needed (in the case of donation). In the cases of both donation and directing the proceeds of sale, it would require the willingness of the municipality to forego general revenue.

6.4 Reformulation of Provincial Construction Subsidies

Provincial construction subsidies have been applied on a per-unit basis regardless of location within the province. While a $50,000 subsidy to build affordable housing in Sydney Mines, for example, is of considerable value in relation to the cost of development, the same amount does not have the equivalent impact in many locations in the HRM, where the cost of development is much higher. The province could consider offering affordable housing construction subsidies tied to the land value or cost of development in the location where increased affordable housing is desired.

Advantages / Disadvantages

The primary advantage of this approach is that developers in higher-cost areas receive a proportional construction subsidy which, in turn, could encourage the development of affordable housing in urban areas that need it most.

6.5 Waiving Development Charges

Waterloo, Ontario has done this to spur affordable housing development. This involves providing developers who include an affordable housing component in their new project a reduction in development charges levied by the municipality. Development charges are fees collected by municipalities to help pay for the cost of infrastructure required to provide municipal services to new residential construction projects, such as roads, transit, water and wastewater infrastructure, green space, and fire and police services. These charges can represent a significant cost to developers. The next table outlines the major charges that would be levied by the Halifax Regional Municipality on the construction of a 151,000 square-foot, 120-unit residential development on the peninsula.

Table 6.2: Halifax Regional Municipality development charges

Development Charge Category	Basis for Charge	Charge ($)	Total ($)
Plumbing	Per unit	25	3,000
Development permits	Flat	4,200	4,200
Solid waste	Per sqft	0.18	27,176
Engineering review	Flat	1,500	1,500
Halifax Water fees			
Wastewater	Per unit	2,741	328,920
Inspection	Flat	330	330
Total			**365,126**

Source: Halifax Regional Municipality, 2020. Permits and fees (online: https://www.halifax.ca/home-property/building-development-permits/permit-fees#DPF)

The development of a building this size would cost the developer upwards of $360,000 in development charges alone. This total does not include charges related to sidewalk enclosure and encroachment fees, which can reportedly add significantly to the cost of a residential development. A policy that would reduce this cost through the inclusion of affordable housing in the project could be an attractive option to developers. It has been noted that, since development charges are generally one-time, up-front costs, the reduction in these charges would be more beneficial if annualized over a specific period of time.

Some municipalities in Canada have adopted this approach to encouraging the development of affordable housing. The Region of Waterloo, Ontario, for example, offers limited grants to offset regional development charges for rental and supportive housing projects that proceed to building permit stage. This finding is only applicable for projects that qualify to receive a capital grant through Waterloo's Affordable Housing Strategy Program. This program created 1,535 new affordable rental units in the region from 2001 to 2008[3].

While the HRM has no established policy vehicle to rebate development charges to for-profit developers, Municipal Council recently voted to waive most permitting fees for non-profit organizations building affordable housing. The Nova Scotia Utilities and Review Board (UARB) also recently approved the proposal to defer up to ten years the payment of water and sewage connections for developers of non-profit housing[4].

Advantages / Disadvantages

The primary advantage to a reduction in development charges to incent the creation of affordable housing is that no new legislation or administrative system needs to be developed. The HRM has a well-established system for collecting development charges and reductions would likely require little additional administration. Furthermore, development charge reductions or deferrals have already been established for the non-profit housing sector, so extending that to commercial developers should be feasible.

6.6 Inclusionary Zoning and Density Bonusing

Inclusionary zoning (IZ) is an affordable housing policy aimed at addressing the housing needs of low-income and moderate-income households. It is a zoning approach that requires new residential rental constructions to include a certain percentage of affordable housing units in the development creating mixed-income housing, which may include housing that is priced at market rate with a percentage of units priced for lower-income residents. These developments can also be built exclusively for low- and moderate-income residents and not include market-rate units.

Density bonusing is an affordable housing policy tool that falls within inclusionary zoning and offers developers additional residential density in the form of more units and/or stories above what the development is zoned for in exchange for the inclusion of affordable housing units within the development.

The City of North Vancouver developed four policy options to allow for additional density beyond existing zoning limits[5]:

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[3] https://www.regionofwaterloo.ca/en/living-here/incentives-to-create-affordable-housing.aspx

[4] https://www.halifaxexaminer.ca/city-hall/halifax-water-says-uarb-gave-permission-to-defer-fees-for-affordable-housing-development/, https://www.halifaxexaminer.ca/city-hall/council-votes-to-waive-construction-fees-for-affordable-housing-but-big-halifax-water-fee-remains/

[5] https://www.cnv.org/city-services/planning-and-policies/land-use/density-bonusing

1. **Community benefit cash contributions** – developers pay an amount per square-foot of residential floor area into a fund that is then used to finance projects that benefit the community.
2. **Secured rental housing** – a percentage of rental units in a development are offered at mid- and non-market rental rates in exchange for additional density.
3. **Employment generating use** – a one-square-foot density bonus for every square-foot of employment-generating commercial space included in the development.
4. **Heritage conservation** – density bonuses for the restoration and preservation of defined heritage properties / resources.

While density bonusing can be employed to encourage the development of affordable housing, it is often used to create other community amenities, such as green spaces. Density bonusing is an available policy option in the HRM, but very little affordable housing has been created within new developments to date. Developers usually opt for a financial contribution to the municipality in lieu of affordable housing development. The reserve fund that has been created must be used to provide public benefits that include affordable housing; heritage conservation; public art; improvements to municipal parks; and affordable community cultural indoor spaces. 60% of what is spent must go toward the development of affordable housing.

The table below highlights the inclusionary zoning experience of two Canadian municipalities – Vancouver and Montreal. As of 2013, IZ had accounted for the development of 9,500 rental units.

Table 6.3: Vancouver and Montreal inclusionary zoning program characteristics

	Vancouver	Montreal
Population (2016)	631,486	1.71 million
Year Adopted	1988	2005
Number of Units Produced	1,500	8,000 (as of 2013)
Mandatory/ Voluntary	Mandatory / Voluntary	Voluntary
Program Targets	• Households spending greater than 30% of gross income on housing.	• Low- and moderate-income households earning less than 120% of the regional median income.

Unit Set-aside	• 20% overall .
	  • 50% must have 2+ bedrooms (families).
		• 30% overall.
		  • 15% social housing.
		  • 15% affordable rental or affordable ownership.

Threshold Size	200 units	200 units
Affordability Periods	60 years	n/a
Measures and Incentives	• Density bonusing. • Comprehensive development zones. • Expedited permit processing. • Development cost levies waived for affordable units. • Waived or reduced parking requirements.	• Land provided for social housing at a reduced price.
Requirements and Standards	• Affordable Units must be built at same time as market units and mixed throughout developments. • Units will be separately constructed in cases where funding is not yet secured.	• Social housing built at the same time as market units to create mixed-income development projects.

Source: https://www.toronto.ca/legdocs/mmis/2019/ph/bgrd/backgroundfile-133050.pdf

Advantages / Disadvantages

The main advantage to inclusionary zoning and density bonusing is that it can lead to an increase in affordable housing stock if developers are properly incented to forego other amenities-based options. The disadvantage is that there is no compelling reason for a developer to choose to include the affordable housing option. Furthermore, increasing density on the form of developments that are higher or larger than the property is zoned for can create political and public backlash should the zoning extension encroach on view planes or conflict with community perceptions of what is or is not acceptable.

6.7 Low-Income Housing Tax Credit (equity tax credit)

This option involves offering a tax incentive for investment in the development of affordable housing in Nova Scotia. It incents developers to invest private equity in the creation of housing aimed at Nova Scotians with core housing need.

Low-income housing tax credits have been used with considerable success in the United States through the Low-Income Housing Tax Credit (LIHTC) program. The LIHTC was created in 1986 and has since been used by developers to create more than three million affordable housing units (~90% of all U.S. affordable housing developed) through the granting of the equivalent of approximately $8 billion in annual state-level budget authority to issue tax credits for the purchase, renovation, or new construction of rental housing for lower-income households6. Developers claim the tax credits over a period of ten years, but they are required to maintain affordable rents for at least 30 years (some states require longer periods).

Housing is considered affordable under LIHTC-funded developments as the maximum rent chargeable is based on the area's median income (AMI). A 2019 study of LIHTC tenants showed that about 55% spent less than 30% of their income on rent, another 20% spent 30-40%, and the remaining 25% spent over 40%7. The report also showed that 43% of tenants had under 30% of the area gross median income (AGMI), another 18% had 30-40%, and the remaining 38% had over 40% of the AGMI.

Maine and New Hampshire could be considered states with populations and economies on similar scales to Nova Scotia. Between 1986 and 2018, 11,112 units in Maine and 8,784 units in New Hampshire have been developed under the LIHTC program. Upwards of 90% of the units in each state are considered "low-income", with 74% and 33% of those developed by for-profit entities in Maine and New Hampshire respectively. The states of Maine and New Hampshire developed an average of 347 and 275 units per year respectively from 1986 to 2018. The table below summarizes these data (1986 – 2018).

Table 6.4: Maine and New Hampshire LIHTC-funded new units, 1986-2018

	ME	%	NH	%
Total LIHTC units	11,112	100%	8,784	100%
Total low-income units	10,217	92%	7,876	90%
For-profit developer	233	74%	77	33%
Non-profit developer	76	24%	112	48%
Developer status unavailable	4	1%	46	20%

Source: U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 2020. (online: https://www.huduser.gov/portal/datasets/lihtc.html)

[6] *U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 2020. (online:* https://www.huduser.gov/portal/datasets/lihtc.html)

[7] *U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 2019. Understanding whom the LIHTC serves: Data on tenants in LIFTC units as of December 31, 2017.*

Advantages / Disadvantages

For developers, tax credits are attractive as they provide a dollar-for-dollar reduction in the taxpayer's federal income tax, whereas a tax deduction only results in a reduction in taxable income.

For government, tax credit policies result in lost tax revenue, although it could be argued that there is direct economic benefit in incenting real estate development in the employment, income, and tax revenue construction and operations would generate. Additionally, tax credits such as LIHTC addresses affordable housing needs and increases density in urban centres where development may not have occurred otherwise.

In order to implement a program similar to LIHTC, the Government of Nova Scotia would have to develop new legislation. While there is significant interest in addressing the housing affordability issue in the province, current government financial realities may limit political will to forego future tax revenue.

6.8 CMHC Affordable Housing Programs

The Canada Mortgage and Housing Corporation (CMHC) provides a suite of funding tools to improve access to affordable housing under the Investment in Affordable Housing (IAH) initiative. Provinces and territories also deliver affordable housing programs that are not funded under the IAH.

CMHC operates the Seed Funding program aimed at creating affordable housing through interest-free loans and/or non-repayable contributions. The New Construction Stream of the Seed Funding program provides interest-free loans and/or non-repayable contributions to private sector groups to help offset costs related to pre-development activities, including the development of business plans, preliminary designs, and the acquisition of development permits. Eligible projects include community and affordable housing, mixed-used market and affordable rental properties, and the conversion of non-residential buildings to affordable multi-residential developments.

CMHC also provides mortgage loan insurance to eligible affordable rental housing developments in the form of higher loan-to-value ratios, loan advances of 85-95% of construction-phase costs, reduced debt coverage ratios, amortization periods up to 40 years, and reduced premiums. Eligible projects must:

- Include at least 5 units.
- Have be a minimum of70% residential in terms of floor area and total loan value.
- Have replacement reserves of at least 2% of effective gross income.

In addition to these criteria, borrowers must have a net worth of at least 25% of the value of the loan and the ability to guarantee 100% of the loan during construction and rent-up.

The following table summarizes all CMHC programs with the potential to incent developers to create affordable housing.

Table 6.5: CMHC programs supporting affordable housing

Province	CMHC Affordable Housing Programs with Possible Application to Commercial Developers	CMHC IAH Funding Allocated (2011 – 2019)
AB	• National Housing Strategy Bilateral Agreement - invest $678 million to protect, renew and expand social and community housing. • Social Housing Agreement - deliver affordable housing to Albertans. • Investment in Affordable Housing Agreement - increase the supply of affordable housing.	$161.5 million
BC	• Affordable Rental Housing Initiative (ARHi) - financial assistance to create new affordable rental units. • Aboriginal Housing Initiative (AHI) - financial assistance to create affordable rental housing for Aboriginal people living off-reserve.	$240 million
MB	-	$82.8 million
NB	• Affordable Housing Program - forgivable loans and, in some cases rent supplements for the acquisition, rehabilitation, conversion and operation of rental housing projects. • Rental Conversion Program - financial assistance to owners/landlords to convert non-residential properties into affordable self-contained rental housing units and/or bed-units.	$62.4 million
NL	• Affordable Rental Housing Program - forgivable loans to create new affordable rental units.	$54.5 million
NT	-	$14.7 million
NS	• New Rental Housing Program - capital funding and rent supplements to create new affordable rental units. • Rental Housing Preservation Program - capital funding and rent supplements to convert non-residential buildings into affordable rental units.	$81.6 million
NU	-	$11.7 million
ON	• Rental Housing Component - forgivable loans to create new affordable rental units. • Off-Reserve Aboriginal Housing (Rental Component) - forgivable loans to create new affordable	$641 million

Province	CMHC Affordable Housing Programs with Possible Application to Commercial Developers	CMHC IAH Funding Allocated (2011 – 2019)
	rental units for Aboriginal people living off-reserve.	
PE	• Family Housing Rent Supplement Program - rent supplements to landlords who provide affordable rental housing.	$11.8 million
QC	• AccèsLogis Québec - encourages pooling of public, community and private resources to produce social and community housing for low- and moderate-income households.	$461.5 million
SK	• Rental Development Program - capital funding to create new affordable rental units.	$73.5 million
YK	• Housing Initiatives Fund – funding to support the construction of affordable housing across the territory.	$12.6 million

Source: https://www.cmhc-schl.gc.ca/en/developing-and-renovating/develop-new-affordable-housing/programs-and-information/provincial-territorial-programs-information

The applicability of any of these programs to developers intending to include affordable housing in their development is unknown. Industry observers note that the competition for limited federal funding is high and that some programs do not suit the market realities of residential property development in Nova Scotia.

Advantages / Disadvantages

The primary advantage of the existence of CMHC programs designed to address affordable housing is that they are established and well-funded federal government programs. Eligibility criteria are generally clear, and administration of the funds is systematic. One disadvantage is the reported competitive nature of the process within and between provinces.

6.9 Non-Profit Sector

This approach involves capacity development and partnering with non-profit organizations in order for them to play a greater role in affordable housing development. This is common across Canada and in many other jurisdictions, and it involves non-profit organizations acquiring funding generally through donations and grants, and investing in the purchase or construction of affordable housing.

There are strong non-profit initiatives in Calgary (HomeSpace.org), Manitoba (MNPHA.com), and New York City (housingpartnership.com) that all provide models for Nova Scotia to consider.

The Affordable Housing Association of Nova Scotia (AHANS) is a key player in the non-profit housing sector in the province. AHANS is directly involved in building and maintaining affordable housing in Nova Scotia primarily through consultation, research, and generating public awareness. Other non-profits, such as Adsum House for Women and Children, and Phoenix Youth Programs, develop and manage affordable housing units in the HRM. This sector is relatively small in NS contributing a small percentage of affordable units, and capacity building is needed to enhance their role. Resources to hire more staff with construction and property management expertise, as well as collaboration with public and private sector stakeholders will be needed.

Advantages / Disadvantages

An advantage to this approach is in the commitment of the organizations involved to the cause of affordable housing. Furthermore, non-profits should theoretically be able to operate at lower cost given the profit motive is absent, although financial efficiency is not always ensured.

The primary disadvantage of the approach in Nova Scotia is the aforementioned lack of capacity within non-profit organizations to develop and manage affordable housing on a large scale. While non-profits have acquired a small amount of existing housing, very little new development can be attributed to the sector.

6.10 Encourage long-term rental property development

Under the current municipal tax system, the development and operation of short-term rental properties (i.e. AirBnb) is preferentially treated as it does not face the same tax burden as commercial residential properties. This lower tax burden encourages the development of new and conversion of existing housing stock to short-term rentals resulting in tightening long-term rental supply and higher monthly rents. There is currently a motion before HRM council to consider the creation of by-laws designed to regulate and address concerns related to short-term rentals in residential areas.

Advantages / Disadvantages

The primary advantage of this approach would be to encourage the development of long-term rental property within which affordable housing could be increased. The main disadvantage would be the increased cost to developers and operators of short-term rentals.

7. Affordable Housing Plan

Taking just the first five (5) solutions, outlined again below, the following table presents estimated values for each in terms of capital investment and annual (rent reduction) value. With reference to Table 4.1, the measures include:

- Annual full property tax rebates ("Property taxes");
- 50% PST rebate (50% of "HST on Value – 13.6%");
- Making land or cash in lieu available (100% of "Land");
- Provincial construction subsidy (toward "Hard costs"); and
- Waiving development fees (50% of "Permits and other").

These show the potential and what is required to build enough units to address affordability challenges of approximately 21,492 CHN households (previous table green and yellow highlighted units for 2016).

The total annual values amount to $73.2 million in HRM and $38.2 million in the rest of NS, for a combined total of $111.4 million. The annual property tax rebate is the only one that accrues on an annual basis, whereas the other solutions are annualized contributions to capital costs. The last column shows the capital cost allocation that would be required, including $1.1 billion in HRM and $556 million in the rest of NS, for a combined total of $1.6 billion.

Table 7.1: The value of municipal, provincial, and federal solutions for affordable housing ($ millions, 2016)

Solutions ($ millions)	Annual Value	Capital Value
HRM Urban Core		
Free land[1]	16.3	326.5
Free building permits[2]	1.5	29.0
50% PST rebate[3]	6.0	119.9
Fed/Province subsidy (~$50K)[4]	29.0	580.4
Annual property taxes (100%)[5]	20.4	NA
Sub-total	73.2	1,055.8
Other NS		
Free land[1]	2.8	55.7
Free building permits[2]	0.1	1.3
50% PST rebate[3]	2.7	53.1
Fed/Province subsidy (~$50K)[4]	22.3	445.8
Annual property taxes (100%)[5]	10.4	NA
Sub-total	38.2	556.0
Total	**111.4**	**1,611.8**

Notes:

1. *Making land or cash in lieu available (100% of "Land" in Table 3.1).*
2. *Waiving development fees (50% of "Permits and other" in Table 3.1).*
3. *50% HST rebate (50% of "HST on Value – 13.6%" in Table 3.1).*
4. *Federal and/or Provincial construction subsidy (toward "Hard costs" in Table 3.1.*
5. *Annual full property tax rebates ("Property taxes" in Table 3.2).*

> *"These solutions would address \$111 million of the estimated \$120 million affordability gap identified in this report, lifting about 20,000 households from CHN (93% of the 21,492 households targeted in this report and 65% of all CHN households falling under the affordability threshold)"*

It should not be necessary to build all new units since this is just one of four ways the needs for affordable housing can be met:

- **Market unit spinoffs** – are affordable units vacated by those moving into new market units that are planned and under construction. Some renters with growing income will "upgrade" to new units, leaving more affordable units available directly or indirectly to families in CHN;
- **New affordable units** – must be purpose built including with a higher share in HRM compared to the rest of the province;
- **New affordable spinoffs** – will be the apartments vacated by those moving into new purpose-built affordable units. Not all of the units vacated are affordable, but a large portion will be suitable for existing CHN families; and
- **Housing and rental policy** - to shift short-term rentals such as Air BnB units and support secondary suites will add to the long-term rental market.

The following table helps to illustrate the combined effects of new affordable developments and spinoff availability of affordable units. The combined total affordable units made available for HRM (12,875) and for the rest of NS (9,725) exceeds the green and yellow shaded cells in Table 4.3, but this is likely necessary considering the growth in need from 2016 to 2020 and beyond.

Table 7.2: Estimated new and "spinoff" units for affordable housing (2021-2020)

Source	2021	2022	2023	2024	2025-30	Total
HRM Urban Core						
New market unit spinoffs	500	500	500	500	3,000	5,000
New affordable units		500	500	500	3,000	4,500
New affordable spinoffs		375	375	375	2,250	3,375
Sub-total	500	1,375	1,375	1,375	8,250	12,875
HRM Cumulative	**500**	**1,875**	**3,250**	**4,625**	**12,875**	**12,875**
Other NS						
New market units spinoffs	500	500	500	500	3,000	5,000
New affordable units		300	300	300	1,800	2,700
New affordable spinoffs		225	225	225	1,350	2,025
Sub-total	500	1,025	1,025	1,025	6,150	9,725
Other NS Cumulative	**500**	**1,525**	**2,550**	**3,575**	**9,725**	**9,725**
All NS Cumulative	**1,000**	**3,400**	**5,800**	**8,200**	**22,600**	**22,600**

Looking beyond temporary relief measures, this scale of long-term solutions is needed to make meaningful differences for many Nova Scotia households facing persistent affordability issues. Ultimately, encouraging much needed supply of affordable units is the only way to address the current and growing needs. Dovetailing these measures with improvements to social housing and incomes will further help those in core housing need as well as others facing even deeper affordability challenges.

From: Danny Cavanagh <president@nslabour.ca>
Sent: November 1, 2021 7:49 PM
To: Office of the Legislative Counsel
Subject: Submission on Bill 62 from the Nova Scotia Federation of Labour
Attachments: Bill 62 Law Amendents submission Nov 1^J 2021 copy copy copy copy.docx

Please find attached our written submission for the Law Amendments Committee meeting in the Red Chamber at Province House 1726 Hollis Street, Halifax Nova Scotia concerning Bill No. 62 – Interim Residential Rental Increase Cap Act.

From: The Nova Scotia Federation of Labour, Date November 1st, 2021

Nova Scotia Federation of Labour

To: The Office of the Legislative Counsel
By Email: Legc.office@novascotia.ca

Submission for the Law Amendments Committee meeting in the Red Chamber at Province House 1726 Hollis Street, Halifax Nova Scotia concerning Bill No. 62 – Interim Residential Rental Increase Cap Act.

From: The Nova Scotia Federation of Labour
Date November 1st, 2021

Honourable Brad Johns
Chair of the Nova Scotia
Law Amendments Committee

Dear Chair and committee members please find below a submission in writing on Bill 62 An Act to Implement an Interim Residential Rental Increase Cap from the Nova Scotia Federation of Labour president, Danny Cavanagh.

We are pleased that the rent cap will remain in place. Doing so will add balance and alleviate much stress from thousands of renters. The fact is that the situation for renters without such legislation many faced either eviction or astronomically high increases in rent. With the vacancy rate so low, the current market was not looking after those who needed affordable housing. Implementing a rent cap is a good idea and one that will help thousands of people across the province.

It's clear that this is not just an issue in Halifax, and many people are facing a crisis with finding affordable housing. Rent control is needed all over our province, from Sydney to Yarmouth. We know that many families are/were worried about rent increases, especially with winter coming and being faced with no option but to be homeless. Rent control is a tool to help, but we also need more affordable housing. A rent cap is one solution to the housing crisis, until we see an influx of more affordable units.

We are in a housing crisis and have been for a while, and helping families find a home they can afford is an important issue for us all. The housing crisis is yet another example of being told **"don't worry the market will look after us"**, it has not, and such statements do give us worry. This is a good case in point that it will not and has not. Rent caps are needed.

Far too many workers and their families do not have affordable housing and have given up on ever being able to afford a home. Rent caps will prevent landlords from moving people out simply to increase their profits, by making the poor vacate and increasing rent in the name of fixing the place up.

Government must fix the housing crisis and ensure the streets do not become the home for thousands of people for the sake of landlord profits. We need better laws to protect tenants from rent gouging. Rent control will work until there are adequate low-cost rental units' people can afford. We need a National and a Provincial Housing Strategy that would take the big money out of housing, to address serial house flipping and money laundering within the housing market. We need the government to increase the supply of affordable homes and introduce measures to make homes more affordable for families.

Rent control must be kept in place, at least temporarily, as a tool to address the urgent need for housing ahead of the winter. If the government keeps failing to solve the housing crisis and to make rent control a priority, we will have a huge problem on our hands as a province.

As winter approaches with the colder weather, we all know that sleeping in cars, on the streets, or in tents is not good enough. We can and must do better to ensure affordable housing and rent control will help keep thousands of people in their homes. Extending rent control, and rapidly increasing affordable housing are essential to ensure people have a safe and affordable place to live in the weeks and months ahead.

We, along with tenants and community groups, are pleased to see a two-year rent cap for the thousands of families who rent their homes. People in this province stood up by the thousands and advocated for an expansion of the rent cap, and it must remain open to possible extension. This change by the current government means the immediate relief of much anxiety with which so many people were being faced. Without a rent cap, thousands of Nova Scotians would have seen rapid increases in rental costs. It is our view that permanent rent control, beyond the two-year rent cap, is still needed to protect tenants. Any new housing plan must support non-profit organizations to build new supportive housing, because non-profit housing is essential to increasing the supply of affordable housing. A key priority will be making sure new units get built and get built quickly, and until the market has enough affordable housing, the rent cap must remain in place.

Signed

Danny Cavanagh
President
Nova Scotia Federation of Labour.