



Government Relations Issues Update

Residential Tenancy Reform

TREB Key Message

Changes to rent control are unnecessary and will only threaten one of the best rental markets that renters have experienced in decades.

Background

In April 2004, the provincial government announced its intention to introduce legislation in the fall of 2004 to revamp the Tenant Protection Act, which sets out rules for rent control and landlord-tenant relationships. The government held consultations in this regard but, in apparent response to calls from **TREB** and other stakeholders, continuously delayed introduction of this legislation. After these lengthy delays, legislation, Bill 109, the Residential Tenancies Act, 2006 was introduced on May 3, 2006 and passed on June 20, 2006. .

At the same time that the provincial government began consultations, it suspended, for 2005 and 2006, the automatic two per cent base portion of the annual rent increase normally allowed under rent control rules. Every September, the provincial government announces the annual rent increase guideline, which is the annual amount that a landlord can increase a residential tenant's rent without making an application to the Ontario Rental Housing Tribunal. At that time, the formula for determining this guideline amount consisted of a base rate of two per cent plus an increase based on landlord operating cost increases. Under the provincial announcement, the two per cent base was removed for 2005 and 2006 and the rent increase guideline reflected only increases in operating costs. With the passage of Bill 109, rent increase guidelines will now be based on the Ontario Consumer Price Index.

As part of its consultation process, the provincial government released a discussion paper that covered various residential tenancy issues. One of the key policy proposals considered by

the provincial government was to replace vacancy decontrol with regional decontrol. Under vacancy decontrol, when a rental unit becomes vacant, a landlord can charge whatever rent he/she chooses. Once a tenant and landlord agree upon a rent, the unit is then subject to annual rent control rules. Under the regional decontrol proposal, the only time that units could be decontrolled would be when the vacancy rate for the region that the unit is in is above a certain prescribed threshold.

TREB commented on the discussion paper in a written submission to the Minister of Municipal Affairs and Housing. **TREB's** key message to the provincial government was that:

- Changes to rent control policy are unnecessary since current rules have helped to create the most beneficial market for renters in decades. Currently, vacancy rates are close to four per cent and there is downward pressure on rents.
- **TREB** also told the provincial government that the secondary rental market (e.g. condominium apartments) plays a critical role in the supply of rental housing. As such, **TREB** told the provincial government that policies to regulate the demolition of rental properties or their conversion to condominiums are best left to municipalities.
- Finally, **TREB** called on the provincial government to recognize the burdens and obligations faced by landlords. Overly burdensome rules weighted against landlords make business operations difficult and ultimately reduce the supply of rental housing by discouraging new investment.

Bill 109 responded to various comments that **TREB** made during the consultation period before the legislation was introduced. Specifically, **TREB** told the provincial government not to replace vacancy decontrol with regional decontrol, because the current system had resulted in one of the most balanced real estate markets in decades. Consistent with **TREB's** positions, Bill 109 maintained vacancy decontrol.