



CANADIAN FEDERATION OF
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May 16, 2007

Hon. Ray Danyluk
Minister of Municipal Affairs and Housing
#104 Legislature Building
10800 – 97 Avenue
Edmonton, AB T5K 2B6

Dear Minister Danyluk:

On behalf of the Canadian Federation of Independent Business (CFIB) and our 9,200 small- and medium-sized business members in Alberta, we are pleased to offer our comments on your response to the Affordable Housing Task Force.

As you know, the escalating cost for homes and rental apartment suites has added to the burden of attracting qualified labour, and 75 per cent of our small- and medium-sized business members agree that addressing the issue of affordable housing should be a priority for the government.

We are pleased that in addressing this challenge, you chose to reject the options that would have had the most detrimental impact on landlords and the effective functioning of the market. In particular, your rejection of rent controls or a ban on condo conversions – even if these were only being proposed as temporary measures – shows that your government appreciates how such measures would have negatively impacted investment in new rental housing and sent the wrong message to entrepreneurs.

Requiring 12 months notice to do a condo conversion and limiting rent increases to once per year are less intrusive measures, however, we thought you might be interested in hearing from one of our members about how this will affect his business.

“...Landlords are now in a position where they cannot legally collect the fair market rent for their property, given the rule change which states rent increases can occur only once a year. For example, we gave a tenant notice that their rent would be going from \$950 to the fair market value of \$1200 per month. (We just rented the identical property to theirs, right next door in the same duplex for \$1200.) Because our letter is dated April 30th and the government made the policy retroactive we miss out by a few days and now have to wait until December 1st for her rent to go up, as that was the date of her rent increase 12 months prior.

“At that time we expect fair market value to be about \$1350. So we will be collecting \$250 less per month from August 1st to November 1st, than what the fair market price is. Then to make matters worse on December 1st, we have to increase her rent from \$950 to \$1350, a \$400-a-month increase.

“So as these stories come out, all the media is going to focus on is how much the monthly rent has gone up on some poor people, while ignoring the fact that it's gone up so much because instead of increasing twice a year by smaller amounts [a landlord] now has to

make the entire increase up all at once. The media will also ignore the fact that from the time of this punitive retroactive legislation, landlords are collecting below-market rents. So as landlords are forced to make huge one-time increases up all at once, one time per year, the howls for rent control will grow stronger...” – CFIB Member, Calgary

As we mentioned in our previous letter to you, we believe the long-term solution lies in finding ways to remove the barriers that are impeding the construction of rental apartments, a supply-side solution, and allowing the market to work to bridge the gap.

The four policies CFIB recommends in this regard are to:

1. Work with the federal government to change the discriminatory tax treatment of rental income, which is considered passive income and taxed at a higher rate, so landlords do not continue to pay excessively high taxes on this form of business income.
2. Reduce education property taxes, to reduce the tax burden on all residents, including landlords.
3. Encourage municipalities to make zoning changes that allow greater heights and densities, in order to encourage more multi-family development.
4. Encourage municipalities to remove red tape and fast-track applications for development of new rental-residential units.

We hope you will continue to consult with those in the real estate investment and development community to gather more information on how the tax and regulatory environment can be changed to encourage more rental construction. We also hope that you will reject the demands of the municipalities for more taxing power, especially the proposed property transfer tax, which would add thousands of dollars in extra cost to the purchase of a home or condo.

We look forward to talking with you on our conference call on June 5, and we would be pleased to meet with you at any time to discuss these options further.

Sincerely,

Original signed by

Danielle Smith
Director of Provincial Affairs, Alberta