

HOUSING POLICY TOOLS SERIES

Preserving Affordable Homes in the Private Rental Market

About us

The Canadian Centre for Housing Rights (CCHR) is Canada’s leading organization working to advance the right to housing. CCHR has worked for over 35 years at the intersection of human rights and housing. We advance the right to housing by serving renters to help them stay housed, providing education and training about housing rights, and advancing rights-based housing policy through research, policy development, advocacy and law reform.

About the Housing Policy Tools Series

The Housing Policy Tools Series outlines a set of policy solutions that all levels of government can implement to help address some of the most pressing issues related to the housing crisis impacting communities across Canada. The series addresses critical areas where government action can help to ensure that all Canadians have secure and affordable homes.

Find the full series at housingrightscanada.com.

Table of contents

4	Introduction
6	Policy tools to keep rents affordable
7	Rent regulation
8	Eliminating vacancy decontrol
9	Rental registries
9	Housing acquisition programs
11	Policy tools to maintain affordable homes and prevent neglect
12	Property and maintenance standards
13	Rental housing licensing
14	Policy tools to preserve affordability in housing redevelopments
15	Demolition control and rental replacement policies
16	Renter assistance policies
18	Policy tools to protect affordable rental housing from conversion
19	Condominium conversion policies
20	Short-term rental regulations
22	Inter-governmental cooperation and coordination

Introduction

In the context of a financialized housing market,¹ the number of rental homes that are affordable to Canadian households is rapidly dwindling.² Homes that used to have affordable rents have been subject to excessive rent increases in recent years, as a lack of rent regulation has allowed for widespread rent gouging. At the same time, existing affordable rental homes are being systematically demolished and redeveloped by investors who see an opportunity to increase profits. Still other former homes are being converted to even more lucrative businesses, such as Airbnb short-term rentals. Some formerly affordable rental homes are even allowed to sit empty by investors speculating on the market.

The most affordable housing in Canada is non-profit and public housing, and the need for governments to increase their investments in non-market homes that are deeply affordable has never been more urgent. However, currently less than five per cent of Canada's housing stock is operated by the public and non-profit sectors.³ This means that most people in Canada rely on finding private market homes that are affordable for them. Lower income people are most at risk of experiencing housing insecurity and losing their homes if rents increase or they need to relocate unexpectedly.

It is imperative that governments implement policy tools to produce new affordable homes. Right now, however, for every new affordable home being built under federal and provincial / territorial programs, two are being lost, either to demolition and conversion or as a result of rent increases that render them unaffordable.⁴ While increasing housing supply with new builds is important, it is equally important that governments take urgent steps to preserve the affordable homes we already have.

In this policy brief, we identify specific policy tools that are available to governments at the municipal, provincial, territorial, and federal levels to preserve the dwindling supply of affordable private rental market homes that already exist in Canada.

1

Policy tools to keep rents affordable

- Rent regulation
- Eliminating vacancy decontrol
- Rental registries
- Housing acquisition programs

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An unregulated private housing market will never supply homes at the affordable and deeply affordable rents that lower income residents across Canada can afford.⁵ Indeed, private market rents have been steadily increasing ever since rent regulations were weakened across Canada in the 1980s and 90s. Without adequate regulations in place, landlords are incentivized to charge rents that are far higher than what is necessary for them to run a business that is profitable. This practice is known as rent gouging, and it is legal everywhere in Canada. Charging high rents and finding ways to increase them perpetually is how financialized landlords extract the high profits that their shareholders and business partners have come to expect.⁶ As a result of these practices, homes are increasingly less affordable and Canadian households across income spectrums are paying the price.

Rent regulation

Governments routinely regulate private markets to promote market health and to protect consumers. Regulation is an accepted standard practice in many areas, and is particularly important in markets like the housing market, which do not generate reasonable prices when left unregulated. Economists call this “market failure.” Unfortunately, while governments in Canada do regulate housing markets, current regulations are insufficient to protect renters from rent gouging.

In Canada, modern rent regulation systems have mostly adopted a regulatory model called “cost pass-through.” In this model, when new renters sign a lease, landlords are allowed to set the initial rent at any rate they like. However, once an initial rent has been set, it can only be increased to match increases to landlords’ operating costs. In other words, landlords “pass through” their operating cost increases to renters in the form of rent increases. This allows landlords to maintain the profit margins in their rental housing business.

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Rent regulation was implemented using a cost pass-through model in most Canadian provinces in the 1970s. However, many provinces withdrew from rent regulation in the 1980s and 90s. Currently, British Columbia, Manitoba, Ontario, Prince Edward Island, and Quebec still have weakened forms of cost pass-through rent regulation.

Cost pass-through systems are effective at preventing some of the most excessive rent increases.⁷ By passing through operating cost increases, they also ensure that landlords' businesses remain viable and keep the housing market healthy.⁸ However, the systems in place in Canada are poorly designed and implemented, in practice often allowing landlords to impose rent increases that greatly exceed their operating cost increases. As a result, they have generally not been effective at keeping rents affordable.

To meaningfully protect existing affordability in rental homes, provincial and territorial governments must implement effective rent regulation measures, and fix flaws in cost pass-through calculations to prevent rent increases from exceeding operating cost increases.

Eliminating vacancy decontrol

A significant gap in existing rent regulation systems that deserves its own discussion is commonly referred to as "vacancy decontrol." In Ontario and British Columbia, rent for existing renters is subject to cost pass-through regulation. However, when a renter moves out of a home and a new renter signs a lease for that same home, the landlord has the opportunity to raise the rent to any rate they like. At these moments, many landlords will choose to increase rents to excessive levels so that they can maximize their profits. Each time this happens, an affordable home is converted into an unaffordable home. In this way, vacancy decontrol has been responsible for the loss of enormous numbers of affordable homes in Ontario and British Columbia.

Preserving Affordable Homes in the Private Rental Market

In the context of a housing affordability crisis and in order to protect our rare existing affordable rental housing stock, it is crucial that all provincial and territorial governments regulate rent increases at all times, including when a home turns over to a new renter.

Rental registries

Ending vacancy decontrol is an essential way to preserve affordable homes, but it is also important that governments ensure that rent regulations are enforced. In Quebec, rents are currently regulated between tenancies, and landlords are legally required to disclose the existing rent to new renters. However, due to a lack of effective enforcement, landlords often ignore this obligation and raise rents excessively when a home turns over to a new renter.

To ensure that rent regulation can be enforced between tenancies, governments should establish public rental housing registries that share and track rent prices and turnover rates of rental homes. Public registries provide all parties with the information they need to keep rents at affordable levels.

Housing acquisition programs

Another way that governments can protect private market homes from excessive rent increases is by purchasing them and converting them into affordable homes managed by the public and non-profit sectors. This is particularly important for rental buildings that are at risk of acquisition by large corporate actors with strong incentives to convert or redevelop them. Older rental properties are often located in prime locations and are especially at risk.

Government acquisition programs have significant up-front costs and require substantial investment from provincial / territorial or federal governments. However, there are many benefits to this approach, including that purchasing and retrofitting buildings is often less expensive than the development of new rental housing.⁹ Existing purpose-built rental buildings are also often located

Preserving Affordable Homes in the Private Rental Market

in prime locations, and already house renters who, if displaced, could become reliant on other more costly social services including the shelter system and hospitals.

To support affordable housing acquisition programs, governments can also enact right of first refusal bylaws and legislation which allow them to consider purchasing properties before private offers are made.

Policy in practice:

In 2022, Quebec amended its housing laws to give municipalities the power to exercise a right of first refusal. Montreal has adopted a pre-emptive right to purchase at-risk properties and create deeply affordable housing in neighborhoods that are historically home to lower income households. Since this policy came into effect, Montreal has acquired over 100 rooming houses that were at risk of conversion or demolition.

2

Policy tools to maintain affordable homes and prevent neglect

- Property and maintenance standards
- Rental housing licensing

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As buildings age, their component parts become more difficult and expensive to maintain. In recent years, some of Canada's older affordable housing stock has fallen into such a state of disrepair that it needs to be demolished, and the new housing built in its place is usually unaffordable. To preserve Canada's crucial existing affordable housing stock, property owners must continuously invest in upkeep and repair. When financialized landlords' business models include redevelopment of a property, they are incentivized to neglect building maintenance. Neglecting maintenance allows for short-term cost savings, while lack of service and deteriorating conditions also serve to push existing renters out of their homes.¹⁰ To mitigate these circumstances, governments must enforce robust maintenance and repair standards to protect both renters and existing affordable housing stock.

Property and maintenance standards

Building codes and property standards set out the minimum requirements used by provinces and municipalities to ensure homes are structurally safe and in good condition. All property owners in Canada have an obligation to meet these standards to guarantee the health and safety of building occupants. Effective enforcement of building and property standards also extends the life cycle of buildings by ensuring aging buildings are "up to Code."

Property and maintenance standards bylaws regulate the physical condition of dwellings, sanitation, fire safety, plumbing, heating, and issues related to mould and pests. Typically, enforcement of these standards is triggered by complaints received from renters, or by routine checks by municipal bylaw enforcement officers. Property owners found in non-compliance with bylaws may be required to undertake maintenance work or renovations, and depending on the issue, might be fined if they fail to carry out work swiftly.

Governments can improve the effectiveness of property and maintenance standards through ensuring robust and adequately resourced inspection and enforcement programs that include proactive inspections.

Rental housing licensing

Current property and maintenance standards enforcement is overly reliant on renter-initiated complaints. Understandably, renters can be reluctant to make complaints for a variety of reasons.

An enforcement model that relies on complaints being made is not an effective way to govern such crucial aspects of housing as basic property and maintenance standards. Instead, it is important that governments shift towards a proactive model. Rental housing licensing is a proactive, effective and efficient way that governments can ensure buildings are in a state of good repair. Under this model, landlords receive operating licenses whose issuance and renewal is subject to passing a building evaluation and regular health and safety inspections.

Municipalities may choose to use universal or targeted rental housing licensing programs. Universal licensing programs apply to all rental properties, regardless of the size or location. Targeted licensing programs require registration of specific properties, and the number of inspections and licensing fees can vary.

Policy in practice:

Under Toronto's RentSafeTO program, every apartment building with more than 10 units or more than three stories must be registered. Registered buildings are proactively inspected every two years. Between 2017 and 2021, more than 10,000 properties were evaluated and close to 4,000 Orders to Comply and Notice of Violations were issued for buildings that did not meet provincial and municipal property standards.

3

Policy tools to preserve affordability in housing redevelopments

- Demolition control and rental replacement policies
- Renter assistance policies

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Even well-maintained housing eventually needs to be renovated or redeveloped. When demolition and redevelopment are necessary, these processes should be thoughtfully undertaken with the public interest in mind. Processes should centre community needs when it comes to density, infrastructure, and affordability among other considerations. Unfortunately, in the current context, redevelopments more often than not cause wholesale loss of affordable homes and the widespread displacement of community members.

Financialized landlords are deeply incentivized to use redevelopment as an avenue for replacing existing affordable housing stock with excessively expensive housing.

In the context of the current housing affordability crisis, governments must take action to support and encourage housing redevelopments which include strong measures to preserve the affordability of housing in redevelopments.

Demolition control and rental replacement policies

The implementation of rental replacement policies can ensure that existing affordable homes are not lost to demolitions, and that affordable rents are maintained in redeveloped projects. Redevelopment requires demolition permits and building permits, which can be made conditional on developers' binding commitments to provide as many or more affordable units as they demolish. This can prevent developers from replacing affordable homes with unaffordable homes, or from leaving demolished properties vacant for investment purposes. Rental replacement policies can also require that developers guarantee a right of return to displaced renters, and/or provide them with compensation.

While demolition control policies and rental replacement policies do not preserve existing affordable rental buildings themselves, they are important tools for preserving a certain level of affordability at the same location and reducing risks of displacement.

Policy in practice:

Mississauga implemented a demolition control bylaw and rental replacement policy in 2019. For rental buildings with more than six units, when vacancy rates are below three per cent and rents are less than 175 per cent of average market rent, demolition cannot be carried out without a special permit and City Council approval. These special permits include conditions such as replacing all existing affordable units retaining similar rents, or guaranteeing that the original tenants have the right to return to their unit.

Renter assistance policies

The property redevelopment process is inherently disruptive. Even if renters have the right to move back into their homes, temporary relocation uproots households, with potential negative social, financial, and psychological impacts. To minimize these impacts, redevelopment projects should seek the feedback and participation of residents and integrate it across the redevelopment process. Financial supports and alternative housing options should be made available during periods when residents have to be relocated.

In other cases, renter assistance programs should provide transitional supports for renters who are temporarily or permanently displaced by a demolition. These can include financial compensation based on the length of the tenancy, rent top-ups, and relocation and moving assistance.

Policy in practice:

- Victoria, Burnaby, and Saanich have adopted renter assistance policies to support renters displaced by redevelopments resulting from demolitions or rezoning.
- In Victoria and Saanich, in redevelopments of buildings of five or more units, renters also have a right to return to a renovated or replaced unit with the same number of bedrooms as their previous unit, at 20 per cent below starting market rents.



Policy tools to protect affordable rental housing from conversion

- Condominium conversion policies
- Short-term rental regulations

Preserving Affordable Homes in the Private Rental Market

While affordable rental homes can become unaffordable as a result of rent increases or redevelopment, they can also be taken off the rental market entirely, by conversion for a different use. Two common ways that affordable housing stock is being lost are through conversion to condominiums for purchase, and conversion to short-term vacation rentals.

Condominium conversion policies

In a financialized housing market, there is a strong incentive for investors to convert rental homes into condominiums for purchase. Although some condominiums will remain in the rental market, rented by private individual owners, the rents are unlikely to be affordable.

Rental conversion policies allow municipal governments to intervene in the housing market during key periods where there is higher pressure on rental supply. Rental conversion policies can help prevent the loss of crucial affordable rental housing by regulating whether it can be converted into condominiums. Rental conversion policies are usually applied only temporarily and are used to protect existing rental homes when vacancy rates are below a certain threshold. These policies may prohibit conversions outright for a period of time, or limit conversions to specific circumstances. In some cases, rental conversion policies are embedded within other affordable housing preservation policies.

Policy in practice:

- Burnaby has prohibited any conversion of multi-family rental housing into condominiums since 1974.
- North Vancouver prohibits the conversion of rental buildings with three or more units when the vacancy rate is below four per cent.
- Montreal prohibits any conversion of public, community, or non-profit housing.
- Mississauga requires that additional permits be obtained for conversion of a rental building.

Short-term rental regulations

Short-term rentals (STRs) arranged through platforms such as Airbnb have become a way that many individual and larger investors extract wealth from the housing market and generate significant returns quickly. The original intention of these platforms was to promote home sharing, meaning that people would rent out their primary residence while they were out of town. However, investors are now using them to turn scarce rental homes into commercial short-term rentals for vacationers on a full-time basis.

STRs are taking affordable homes off the market in significant numbers.¹¹ In recent years, an increasing number of provinces and municipalities have adopted STR regulations to encourage a return of STR units to the pool of housing supply for long-term renters.

STR regulations can range from bans on some short-term rentals, to limits on how long units can be rented for temporary purposes. Licensing, registration fees, and reporting requirements can regulate the ways in which short-term rentals operate, while acting as a disincentive to the conversion of long-term rentals into STRs. Municipalities can also choose to restrict STRs to certain areas of the city to preserve residential neighbourhoods.

A particularly targeted form of regulation is the “principal residence requirement,” which permits resident tenants and owners to temporarily rent out their own homes or rooms in their homes, but not other properties they own. This ensures that STRs will not continue to take homes out of the housing market.

The introduction of STR regulations is relatively new and entails significant administrative complexity to ensure compliance and enforcement. The policies that are currently implemented in various parts of the country likely require further review to understand how effective they have been across jurisdictions.

Policy in practice:

- Toronto and Charlottetown allow STRs only for properties that are the owner's primary residence.
- Quebec has regulations supporting municipalities in enforcing more transparency and accountability for STR operators.
- British Columbia has comprehensive regulations governing STRs province-wide.

5

Inter-governmental cooperation and coordination

Actions each level of government can take to preserve affordable homes in the private rental market.

Preserving Affordable Homes in the Private Rental Market

Affordable and secure housing is a human right, and all levels of government must work together to ensure that everyone in Canada has a secure and affordable home where they can live in dignity. Canada is in a housing crisis, where homelessness is on the rise and existing affordable homes are being lost twice as quickly as new affordable homes are being built. We continue to move backwards towards a housing market that is less affordable every day. All levels of government have a responsibility to take action by coordinating their efforts to implement long-term solutions to solve this crisis.

Below we outline how each level of government can best work to prevent the loss of affordable homes in the private rental market across the country.

Municipal governments can:

- Maintain local rental registries.
- Undertake housing acquisition programs (with financial support of higher orders of government), and enact bylaws to give themselves a right of first refusal to purchase affordable housing.
- Strengthen enforcement of property and maintenance standards bylaws.
- Enact landlord licensing bylaws.
- Enact and strengthen rental replacement bylaws.
- Provide tenant supports during redevelopments.
- Enact bylaws regulating condominium conversions.
- Enact bylaws regulating short-term rentals.

Provincial and territorial governments can:

- Implement and strengthen effective rent regulation, including vacancy regulation.
- Maintain rental registries across the province or territory.
- Undertake housing acquisition programs, or fund municipalities to do so.

Preserving Affordable Homes in the Private Rental Market

- Enforce maintenance standards across the province or territory.
- Regulate short-term rentals across the province or territory.
- Empower municipalities to implement local solutions.

The federal government can:

- Promote national standards for rent regulation and other programs.
- Contribute funding for municipal, provincial and territorial acquisition programs to preserve affordable housing.
- Ensure the National Housing Strategy provides funding targeted at ensuring existing affordable housing is preserved.
- Make other funding agreements contingent on municipalities, provinces and territories taking meaningful steps to preserve affordable housing.

The National Housing Strategy does not currently prioritize the preservation of existing affordable homes, and provinces and territories are seeking to increase supply without sufficient consideration for the retention of existing affordable homes. It is urgent that governments take this issue seriously and work together to stop the steady loss of our existing affordable housing stock. This can be done with coordinated and strategic implementation of rental housing preservation policies grounded in right to housing principles as outlined in this policy brief.

Endnotes

1. Canadian Centre for Housing Rights (Sept 20, 2023). [A Primer on Financialization of Housing in Canada.](#)
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3. Pomeroy, Steve (April 2021). [Background Primer on Canada's Housing System.](#) Prepared for the Office of the Federal Housing Advocate.
4. Pomeroy, *supra* note 2.
5. For a discussion of how to calculate the rent levels households in Canada can afford, see [CCHR's submission to the Environmental Registry of Ontario regarding Bill 134, Affordable Homes and Good Jobs Act, 2023](#) (October 27, 2023).
6. CCHR, *supra* note 1.
7. Grant, Hugh (January 2011). [An Analysis of Manitoba's Rent Regulation Program and the Impact on the Rental Housing Market.](#)
8. Aiello, Daniela (September 2023). [Flipping the Script on Vacancy Control: A Critical \(Re\)evaluation of Rent Control Literature and Policy in the Struggle for Housing Security in B.C.](#)
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11. Aiello, *supra* note 8.



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