



**Date:** April 21, 2016

**Report to:** Board of Directors

**Submitted by:** Tom Hunter  
Chief Executive Officer/  
Secretary

**Prepared by:** Kathy McInnes  
Manager, Business  
Services

**Subject:** 2016 Market Rent Analysis – Report #16011

**RECOMMENDATION:**

That Report #16011 be received for information

A handwritten signature in blue ink that reads "Tom Hunter".

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Tom Hunter  
Chief Executive Officer/Secretary

**BACKGROUND:**

At the September 2015 Board meeting, it was requested that staff provide an information report regarding the rationale of market rent rates across the portfolio and a comparison to other housing providers.

Each year the Ministry of Municipal Affairs and Housing (MMAH) sets a rent increase guideline (RIG). The guideline is the maximum amount that landlords in Ontario can raise rents without applying to the Landlord and Tenant Board. Although social housing providers are exempt from this part of legislation, CityHousing Hamilton's (CHH) practice has been to implement the increases as per the annual guidelines.

The guideline is designed to recognize increases in building operating costs so that properties can be adequately maintained in terms of tenant health and safety. The increase is calculated by the Ministry using a formula that considers the overall costs of maintaining a property (maintenance, utilities, taxes) averaged over a three year period.

Once annually, market rents within the portfolio are reviewed to determine if the rents accurately reflect the local rental market rates. The review is based on marketability, vacancies, comparable properties and consultation with property management agents to ensure rents are appropriate within the current market. Variations in CityHousing Hamilton's market rent values are due to differences in the age, size, location, utilities, parking facilities and amenities related to each site. On occasion, market rents have been determined giving consideration to large capital projects occurring within the portfolios. The rents are also reviewed in relation to increasing costs of utilities, and must be increased to sufficiently cover this cost each year. Rental rates should also be sufficient to allow for adequate reserve funding for long-term maintenance of each property. In 2016, the increase of 2% reflects approximately \$120,000 of additional revenue annually.

Eighty percent of CHH's housing portfolio is rent-geared-to-income (5,200 units). Therefore, these tenants pay rent determined by their income and would only be responsible for paying the full market value if they became ineligible for subsidy. If the market rents are too low, a tenant could become ineligible for rent-geared-to-income (RGI) if their calculated rent is higher than the market value. Ineligibility would require the tenant to put their name back on the waiting list should they at some point need RGI again. As well, too low a market rent would limit access to CHH units for applicants on the Access to Housing waiting list with slightly higher incomes, even though they may not be able to afford housing in the private market.

Approximately 20% of CHH's portfolio are true market rent units. These rents are evaluated annually with the help of promotional marketing staff, who provide guidance on the market value of the units, any difficulties they may be encountering in renting based on the amount of rent, and CHH's competitiveness within the market. At locations where the rents do not reflect broader private rental market conditions two rents have been established, one for new tenants and one for existing tenants. Market rents for existing tenants are increased by the RIG, and rents for new tenants are increased based on comparable units within the area. When a unit becomes vacant it is filled at the higher market rent. Units at 41 Reid Avenue are an example of this practice. In 2007 the market rents were increased from \$439 to \$663. Existing tenants as of 2007 continue to pay rent at the lower level which is raised each year by the MMAH legislated guidelines. New tenants are charged \$663.

Less than one percent of CHH’s portfolio is funded through the Affordable Housing Program (4 Bridgewater, 557 Queenston). Market rents for projects developed under the Affordable Housing Program may be increased by the RIG, but only if the increased rent does not exceed 80% the CMHC Average Market Rent (AMR) for each unit type.

Outlined below are average market rents for Hamilton, the private market and CHH. The Hamilton market rent rates were determined by the Ministry of Municipal Affairs and Housing (MMAH) for 2016. Private market rent information was gathered through local rental housing advertising in the “Renters News” and on-line websites such as “Gottarent”.

There is minimal private market data for market rents for single and semi-detached houses. Variations are attributed to location where there are unique rental housing supply and demand factors (i.e. mountain, Stoney Creek, downtown). Most private landlords include heat, hot water and domestic water in the rent, and tenants are responsible for paying their own hydro.

#### **Apartments**

	<b>MMAH</b>	<b>Private Market</b>	<b>CHH</b>
<b>Bachelor</b>	\$590	Unknown	\$562
<b>One Bedroom</b>	\$750	\$800	\$675
<b>Two Bedroom</b>	\$917	\$900	\$825
<b>Three+ Bedroom</b>	\$1062	\$1125	\$950

#### **Townhouses**

	<b>MMAH</b>	<b>Private Market</b>	<b>CHH</b>
<b>Two Bedroom</b>	\$1153	\$1100	\$975
<b>Three+ Bedroom</b>	\$1152	\$1300	\$1150

#### **Houses**

	<b>MMAH</b>	<b>CHH</b>
<b>Two Bedroom</b>	\$1120	\$1170
<b>Three+ Bedroom</b>	\$1270	\$1260

In summary, CHH market rents are consistent with what is charged in the private market and determined by the CMHC data.

**OPERATIONAL PLAN:**

This report implements:

Goal 1: Create Financial Sustainability – *Ensure that CityHousing Hamilton has sufficient capital to invest in buildings to minimize the impact on City of Hamilton taxpayers.*

TH/km