SOLO
Small Ownership Landlords Ontario

January 24, 2022

To: Standing Committee on Finance and Economic Affairs

From: Small Ownership Landlords of Ontario

Re: Pre-Budget Consultations 2022

Small Ownership Landlords of Ontario ("SOLO") is pleased to submit its pre-budget submission for the Spring 2022 provincial Budget. SOLO is a federally incorporated not-for-profit association with members that assist one another in the face of mounting financial hardships occasioned by the COVID-19 pandemic. SOLO's membership includes 4200 and growing small landlords throughout Ontario that participate in its activities through social media platforms like Facebook.

Small landlords are usually working people that own homes with basement apartments, duplexes and triplexes, single family homes and condominiums. Often they purchase homes that are only affordable because they are able to rent out a portion of their premises. Some landlords have one rental unit in their homes, while others have several. In most cases they depend on rental income to cover their monthly costs. Many retirees depend on the income stream to support themselves and, often, to support their families. They provide nearly 50% of rental housing stock in Ontario. Most importantly, they provide much of the reasonably priced accommodations in the province.

They enter the housing rental market for a variety of reasons, including:

- to supplement their incomes
- to ensure positive cash flow to meet financial responsibilities
- to build retirement funds
- to meet medical needs and insurance needs in their senior years
- funding post-secondary education
- ensure that lifestyle and household expenses can be met.

To its credit, the Ontario government foresaw that many commercial tenants would not be able to pay their rent and as a result it established a financial aid program for corporate landlords. The province partnered with the Government of Canada to deliver the Canada Emergency Commercial Rent Assistance (CECRA) for small businesses and commercial landlords experiencing financial difficulties during the coronavirus (COVID-19) pandemic. As we know, the CECRA for small businesses provides forgivable loans to eligible landlords. This allowed them to reduce rent for their impacted small business tenants by at least 75% for the agreed upon period, so they could stay in business.

While that was a necessary and commendable public policy initiative, it was equally foreseeable that residential tenants would also not be able to pay their rent - and in many cases they did not - leaving small landlords to suffer significant financial losses. However, unlike commercial landlords, the

the provincial government did not provide any financial assistance to small landlords. More particularly, COVID benefits have been offered by governments to assist individuals who were disadvantaged by COVID and introduced measures to lessen its impact. COVID benefits have also been offered by governments to assist businesses who were disadvantaged by COVID and introduced measures designed to offset revenue losses. The provincial government further assisted tenants in Ontario by way of a freeze on rents and evictions. When many tenants received COVID benefits but did not utilize some of those funds to pay rents small landlords were not provided with any program benefits or support to offset that income loss. Attached is a list of programs that Ontario businesses and tenants were able to access during the pandemic, programs that were not available to small landlords.

To further exacerbate the problem, the Landlord and Tenant Board ("LTB"), where landlords would normally seek redress for non-payment of rent, was not processing applications for such redress, thereby creating a backlog that leaves landlords with no realistic recourse to recoup their losses and enter into new lease arrangements with other tenants. SOLO has, and will continue, to meet with various government officials and to highlight deficiencies in the LTB processes that impact small landlords' ability to obtain the redress provided under the Residential Tenancies Act.

**Impact of COVID on all Small Landlords and Tenants**

SOLO understands the impact that COVID has had on everyone's lives, including tenants. Housing insecurity during COVID is a recognized fear among many communities. Small landlords do not take lightly their responsibilities to their tenants and ensure that they are able to maintain living arrangements suitable to them and their families under the terms of their lease agreements. While small landlords recognize the difficulties that may tenants have faced during the pandemic, there remains a need for these landlords to be able to either access legal remedies for non-payment of rent at the LTB or obtain financial assistance afforded to corporate landlords.

SOLO members are not tone deaf to the plight of far too many hard working and law-abiding tenants who face financial difficulties as a result of the pandemic and who, quite simply, were unable to pay their rent. However, while the government made significant efforts to provide support for many sectors of the Ontario economy there were no corresponding measures to assist small landlords across the province who were, and continue to, face severe financial hardships as a result of rental income losses. Many small landlords have themselves become victims of the COVID-induced economic downturn and have lost their jobs. In circumstances where they are also facing non-paying tenants, they are unable to meet their mortgage obligations, placing them in the position of losing their homes.

It is not an exaggeration to state that in this situation, there will continue to be a housing crisis in this province as small landlords sell their homes to meet their financial obligations thereby decreasing the supply of affordable rental properties.

In summary, COVID has severely impacted small landlords in a variety of ways:

1. The difficulty in accessing legal remedies in situations where tenants did not pay their rent resulted in rental income loss which subsequently led to an inability by landlords to pay their mortgages, property taxes, insurance, utilities, repairs and maintenance and other expenses.
2. The situation also impacted the mental health and well-being of many small landlords as they not only had to endure the negative health effects of COVID like others in the province but they

also had to absorb the challenges of dealing with non-paying tenants, bad and abusive tenant behaviour and financial uncertainty.

3. Some tenants intentionally damaged properties which added to the cost of maintaining landlords' properties.
4. Some small landlords have reported that tenants demanded compensation before moving out of the rental units or, in some cases, even to allow landlords access to the premises.

## Examples of Abuse Faced by Small Landlords

SOLO also wishes to recognize that most tenants honour their financial commitments under their leases. However, in far too many instances small landlords' financial losses result from unreasonable conduct by tenants. Below are several examples of the types of physical, mental and financial abuse that small landlords face:

- A tenant stopped paying rent soon after they moved in and asked for $5000 for what is known as a "cash for keys' deal. The landlord subsequently learned that the tenant also owed three other landlords large sums of money. There are many landlords who were approached by their tenant’s legal representatives to negotiate cash for keys deals for sums up to $25,00 including one landlord in Port Hope who was forced to forgive rental arrears of $11,900 and pay a cash for keys settlement of $6,400 to obtain timely access to their property
- Another landlord reported that the tenant refused to pay rent, caused damage to the unit and sold the landlord's dining table and chairs on Facebook Marketplace.
- An Ottawa landlord lost her husband and father in 2020. She rented her home to a tenant that passed all screening measures. However, the tenant stopped paying rent almost immediately after taking possession. The landlord herself is renting a house that is now for sale and therefore she faces removal from her home - all of which is causing panic attacks and sleepless nights.
- A Mississauga landlord’s tenant incurred $40,000 in rental arrears from 16 months of non-payment. The landlord’s application to the LTB and the subsequent Sheriff’s application was delayed in every COVID shutdown. The tenant has defrauded six other landlords, which is information contained in documents obtained through the Freedom of Information process. No charges have been laid against the tenant and the landlord has not been able to recoup any of their losses.
- A Niagara Falls landlord leased premises to a tenant who has defrauded nine landlords in a span of six years. The total losses for these landlords is $80,026.56.
- A Richmond Hill landlord who was trying to resolve an issue that began in May 2019 was unable to access legal recourse for non-payment of rent totaling $43,000. The COVID shutdown for LTB hearings permitted the non-enforcement of payment of rent obligations between May 2019 and December 2020. This issue is still unresolved and the tenant is still not paying utility charges which are now being transferred to the owner’s property tax bill.

Below are links to videos that outline the types of abuse, property damage and financial strain that small landlords are being subjected to. Rogue tenants have increased in numbers during COVID and unfortunately, the LTB is both slow and ineffective in responding to disputes submitted to the board for resolution. Nor, as we have noted, are there any financial assistance programs to assist these landlords. Also, there is no recourse when filing taxes with CRA for lost rent. CRA’s position is that unpaid rental payments are accounts receivables and the recourse for landlords is garnishment or small claims court actions. Unfortunately, the problem is that there are many categories of tenants who are not subject to garnishment proceedings, and in cases where they are, recourse to the court could take years.

SOLO Landlord Interview -

YouTube

https://youtu.be/PcjVdKKfT7E

**Request by Small Landlords:**

**In** the circumstances, SOLO respectfully submits that the provincial government implement the following measures:

1. Provide financial assistance for all verifiable unpaid rent owing to small landlords who have been granted an eviction order by the LTB from the date of the order until the tenant leaves the rented premises or the eviction is enforced by the Sheriff's Office.
2. **In** the alternative, the province should provide comparable financial assistance to small landlords as it did to commercial landlords.
3. Payment of a portion of unpaid rent owing to small landlords directly to landlords for tenants that qualify for this type of support.
4. Any of these measures would allow the LTB to work through its backlog in a more expeditious manner and would have the added benefit of removing the adversarial position that small landlords and their tenants are facing as a result of COVID.

SOLO is committed to working with the provincial government on the issues outlined in these submissions. In particular, we are committed to working with government to ensure that there is a balanced approach to the challenges faced by both tenants and small landlords. Moreover, we committed to working with the government to ensure an adequate supply of affordable quality housing in Ontario. We welcome the opportunity to engage with the government in connection with these issues.

Respectfully submitted,

On behalf of Small Ownership Landlords of Ontario

**COVID Assistance for Businesses**

**Canada Emergency Business Account (CEBA):**

Forgivable loan available to businesses with a CRA business number (either HST or payroll or corporation) registered on March 1, 2020, and either:

1) payroll in 2019 of over $20,000, or
2) non-deferrable expenses (ex, mortgage interest, insurance, property taxes) in 2020 of over $40,000.

**Residential properties could qualify for this if** they met the above requirements and held a "business" account at their bank when applying. Owners would need a minimum of four units to possibly qualify.

**Canada Emergency Commercial Rent Assistance (CECRA):**

Available to commercial landlords including those that are fully commercial, with a residential component, and mixed use commercial properties. **Fully residential properties are excluded** as well as the residential components of commercial properties.

This was not available to residential landlords because the program clearly excluded residential properties.

**Canada Emergency Rent Subsidy (CERS):**

Available to individuals and corporations with a loss of revenue due to COVID, and who had a payroll account on 3/15/2020 or a CRA business number (either HST or payroll or corporation) registered on 9/27/2020. **But not available to residential buildings.**

This was not available to residential landlords because the program clearly excluded qualifying expenses that were related to "property that is a self-contained domestic establishment".

**Canada Emergency Wage Subsidy (CEWS):**

Available to all individuals and corporations with a loss of revenue due to COVID, and who had a payroll account on 3/15/2020.

**Residential properties could qualify for this if** they met the above requirements. Smaller owners would not meet the payroll account requirement but larger landlords might meet all requirements.

**Tourism and Hospitality Recovery Program (THRP regular):**

Payroll, rent, and owner expenses (mortgage interest, insurance, property taxes) subsidies **available to tourism and hospitality sector (including short term rentals)** businesses that experienced a 40%+ "12-month drop" in revenue from the year before, for March 2020 through February 2021. The business had to have a payroll account on 3/15/2020 or a CRA business number (either HST or payroll or corporation) registered on 9/27/2020.

Only short term residential properties could qualify for this if they meet the above requirements as the program is sector specific, and legislated as "operating or managing a facility providing short-term lodging, such as a hotel, a motel, a cottage, a bed and breakfast or a youth hostel".

**Tourism and Hospitality Recovery Program (THRP lockdown):**

Payroll, rent, and owner expenses (mortgage interest, insurance, property taxes) subsidies available to all individuals and corporations that experienced a 10%+ drop in revenue from the year before, for the period being applied for. The business had to have a payroll account on 3/15/2020 or a CRA business number (either HST or payroll or corporation) registered on 9/27/2020. The business had to be in lockdown during the period being applied (similar to Ontario's current lockdown).

Residential properties could qualify for this if they meet the above requirements. Smaller owners would not meet the payroll account requirement and larger landlords might meet all requirements.

**Hardest Hit Business Recovery Program (HHBRP - extension of CERS/CEWS):**

Payroll, rent, and owner expenses (mortgage interest, insurance, property taxes) subsidies available to all individuals and corporations that experienced a 50%+ "12-month drop" in revenue from the year before, for March 2020 through February 2021. The business had to have a payroll account on 3/15/2020 or a CRA business number (either HST or payroll or corporation) registered on 9/27/2020.

Residential properties could qualify for this if they meet the above requirements. Smaller owners would not meet the payroll account requirement and larger landlords might meet all requirements.

**COVID Assistance for Individuals**

Canada Emergency Response Benefit (CERB)

Required employment or self-employment income in 2019 in excess of $5,000, and no more than $1,000 income for the period(s) applied for. Work had to be reduced by 50% from pre-COVID. The CRA deems rental income as passive income and not self-employment income which made small residential landlords in-eligible for CERB.

Canada Worker Lockdown Benefit

Gives temporary income support to employed or self-employed people who cannot work due to a COVID lockdown.

**Canada Emergency Student Benefit (CESB)**

The Canada Emergency Student Benefit (CESB) provided financial support to post-secondary students, and recent post-secondary and high school graduates who were unable to find work due to COVID-19.

This was not available to residential landlords