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Rent control ‘loopholes’ have seen Ontario rents rise three times higher than guidelines, report finds

It’s not just a Toronto problem as rents have skyrocketed in cities outside the GTA, says the CCPA.



Diana Zlomislic || April 11, 2024



A new report from the Canadian Centre for Policy Alternatives cites rent control “loopholes” for rising rents around the province. R.J. Johnston/Toronto Star

Ontario's lax rent control system over the past decade has helped landlords hike average rent by three times the amount allowed in the guideline, a new report from the Canadian Centre for Policy Alternatives (CCPA) shows.

And it's not just a Toronto problem.

Hamilton, Oshawa and Toronto census areas have experienced the highest rent increases followed closely by Guelph, St. Catharines-Niagara, Kitchener-Waterloo-Cambridge and Windsor, the CCPA found using data provided by the Canada Mortgage and Housing Corp.

"You could drive a very large truck through the loopholes in our rent control system," said Ricardo Tranjan, the CCPA report's co-author.

"Over the last decade, Ontario's rent control guideline has allowed landlords to increase rents by 16.5 per cent," said Tranjan. "Over that time, average rents have actually increased by 54.5 per cent."

While Ontario's rent control guidelines cap the amount that rent can be raised annually — typically in the range of 0.5 to 3 per cent — in 2018 newly elected Premier Doug Ford scrapped the measure for new builds saying it would provide "incentives" for the private sector to build more housing.

Tranjan and co-author Paulina Vargatoh highlight the move as one of three loopholes driving skyrocketing rents:

- Rent control guidelines do not apply to units added to the market since Nov. 15, 2018;
- Vacant units are exempt from the guideline so that when tenants move out, landlords can charge new tenants whatever they want;
- Above-Guideline Increases (AGIs), an application process through which rents can be raised dramatically for renovations, allows landlords to recover much more than they spend.

“We’ve seen very large corporations that are publicly traded — we know their financial state — and they apply for AGIs consistently,” said Tranjan. “There is no burden of proof required.”

“Consumers are being exploited, taken advantage of,” said David Hulchanski, a professor of housing and community development at University of Toronto, who has no affiliation with the report. “The market isn’t functioning properly because landlords are taking advantage of a scarce resource — rental units. The state has to step in and do something.”

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The Ministry of Municipal Affairs and Housing told the Star the provincial government has taken “historic measures” to support tenants by strengthening protections against renovations, increasing maximum fines for bad landlords and holding the rent increase guideline well below the average inflation rate of 5.9 per cent.

“This helps protect the vast majority of tenants from significant increases,” the ministry wrote in an emailed statement.

The ministry added it’s also supported the construction of record levels of purpose-built rental housing starts in the last few years and is ensuring the “vast majority” remain under rent control.

At least one tenant-rights group feels unprotected by these measures.

On Sunday, the York-South Weston Tenant Union, which represents about 400 tenants who are on a rent strike in four Toronto apartment buildings, is leading a march in the neighbourhood to protest above-guideline increases.

“It’s a dire situation out there for tenants,” said Chiara Padovani, union co-chair. “The power imbalance is massive. It’s scary to try to get action on your own but doing it with our neighbours is a very empowering thing. We’re seeing more people willing to take that collective action because of the sheer unaffordability of renting these days.”

Tenants at 33 King St., which Padovani said has a number of above-guideline rent increase applications, started striking last June.

“Over the last five years, their rents have increased three times higher than rent control even though they are a rent-controlled building,” she said.

A month later, residents of 22 John St., a new building that is exempt from following rent control guidelines, joined the action.

“Their rents are increasing about 10 per cent every year without explanation,” said Padovani. “There’s no justification for the rent increases other than the fact that they can.”

Both buildings are owned by Dream Unlimited. Dream told the Star it has not applied for any AGIs at 33 King St. It said three above-guideline increases were submitted by the previous building owner for work mostly completed between 2016 and 2018. Those applications were pending approval when Dream took over.

At 22 John St., “a highly amenitized luxury apartment building ... no individual has received an increase greater than 7 per cent to 9 per cent depending on their rental term,” said Hero Mohtadi, Dream’s vice-president of residential operations and asset management.

In October, tenants at 1440 and 1442 Lawrence Ave. W. launched their own rent strike to protest above-guideline rent increase applications. These buildings are owned by Barney River Investments.

“In these buildings, it adds insult to injury because the conditions of the buildings are so bad,” Padovani said.

The company did not reply to the Star’s request for comment.