



**ACORN CAPREIT
TENANT UNION**

PLATFORM

CAPREIT Tenants have united to form the ACORN CAPREIT Tenant Union (ACTU) and launch a national coordinated campaign to overhaul CAPREIT's business practices. As tenants, we know that drastic changes are needed in the way REITs do business, not only to ensure that they have healthy and affordable housing long-term, but that the country as a whole does.

CAPREIT is playing a leading role in the loss of affordable housing in Canada; and it is shocking to learn what CAPREIT is getting away with. Below we outline their exploitative business model of financialized housing that relies on sweetheart tax treatment and reducing affordable housing stock; and the solutions tenant leaders in the ACTU demand to see!

CAPREIT IS HUGE!

CAPREIT - Canadian Apartment Properties Real Estate Investment Trust - is the largest REIT in Canada. They own 285 apartment buildings in Canada with a total of 45,120 units, 72 land lease sites (trailer parks) with a total of 11,683 lots for manufactured homes, and even own 131 apartment buildings in the Netherlands. Their business strategy is providing housing for over 100,000 low- and moderate-income Canadians, while using aggressive tactics to maximise profits. They are also continually looking to buy up more low-income apartments to expand their portfolio.

Contact ACORN at:
canadaacorn@acorncanada.org or
416-996-6401 to arrange a meeting
with ACORN CAPREIT Tenant Union
leadership.



Profit of \$1,000

a Minute!



When you look at the money CAPREIT brings in, the amounts are staggering. In 2019, CAPREIT's net operating income was \$508 million, an increase of 15.3% over 2018. But it is the incredibly high profit margins that truly illustrates how much money they are making. In 2019, their net operating income margin was a stunning 65.3%. In comparison, the net operating margin for Pepsi Co was only 15% in 2019, still highly profitable, but 40% less than CAPREIT. Unlike so many businesses, the pandemic is not slowing down CAPREIT's profitability. In the first six months of 2020, CAPREIT has made MORE money than during the same period in 2019. They also reported a net operating income of \$281.3 million, an increase of 17.4% from 2019. Add all this up and it translates to a profit of \$64,000 an hour, every hour of every day. Or \$1,000 a minute.

Robin Vanderfleet has been living in her CAPREIT Townhome in Mississauga since 2013. Among the many issues when requested are functioning kitchen appliances with no response from management. Robin's family pays \$1,584 for her 3 bedroom suite. \$2,395 is the going rent on 3 bedroom townhomes in her complex.

HOW DO THEY DO IT?

Mark Kenney, President and CEO of CAPREIT, is direct to shareholders and investors on how they make money. The most predominant way is suite turnovers, which leads to eviction of long standing tenants. In 2019, CAPREIT turned over 8,246 suites in Canada, or 19% of its total portfolio in the country. Rent in these units went up on average by \$167 per month. The incentive to get long term tenants to move out is correlated with poor maintenance and management services for long term tenants, many of whom are active in the ACORN CAPREIT Tenant Union. Robin Vanderfleet has been living in her CAPREIT Townhome in Mississauga since 2013.

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CAPREIT is also targeting modernizing and reducing the average age of its property portfolio by acquiring newer, recently constructed properties. Newer properties attract higher-quality residents.

CAPREIT Annual Report, 2019



Another lucrative practice is systematically applying for as many **Above the Guideline Rent Increases (AGIs)** as possible. AGI enables CAPREIT to pass on the cost of capital repair investments onto tenants.

Management continues to pursue applications in Ontario for AGIs where it believes increases above the annual guideline are supported by market conditions to raise monthly rents on lease renewals.
CAPREIT Annual report 2019



In Ontario, where CAPREIT has been continuously pursuing AGI applications and where they have bulk of their properties, they applied for AGIs in 26% of their Ontario apartment units. Just in the first six months of 2020, CAPREIT is on pace to apply for AGIs is a staggering 37% of their Ontario apartment units.

As rental buildings age, repairs like fixing the roof, replacing carpeting in the hallways, and installing new windows, are needed in order to ensure the building remains livable and structurally sound. For a company as profitable as CAPREIT, their willingness to pass on the costs for all of its capital repairs to low-income tenants is astonishing. By circumventing and exploiting inadequate tenant protection laws, CAPREIT is able to maximize rental income. This is great for shareholders and investors, and catastrophic for working class tenants who need healthy and affordable homes.

CAPREIT'S LEADING ROLE IN CANADA'S HOUSING CRISIS!

CAPREIT's stealth-like business practices are destroying affordable housing at a rapid pace, and need to be reigned in. In their annual report, CAPREIT boasts they turnover 19% of their portfolio annually. This equals 8,246 units. When you add that to the number of AGIs they applied for in 2019 (5,974) that equals 14,216 of CAPREIT's affordable market rental units being made unaffordable each year.

Compare this to the minimal affordable housing being built by Canadian Governments, and the public cost of CAPREIT's destruction of the affordable market rental housing stock is astronomical. The National Co-Investment fund as part of the National Housing Strategy is investing \$13.2 billion over 10 years to create 60,000 affordable housing units. This means that federal taxpayer money, through the National Co-Investment fund, will spend \$13.2 billion to build 60,000 units of affordable housing in Canada, or \$220,000 to create each unit. The financial value of the loss of affordable housing due to CAPREIT's business model is in the billions annually. Yet they don't pay their fair share back in taxes.



DONALD TRUMP PAYS MORE TAXES THAN CAPREIT!

CAPREIT enjoys massive unfair tax exemptions at the corporate level. This is because the Federal Government provided REITs like CAPREIT with an exemption when it introduced new taxation rules in 2007, ironically under the Tax Fairness Plan. CAPREIT will argue that taxes are paid by unitholders, but it's likely that most of this money is not collected, and instead put into things like tax free savings accounts.



CAPREIT NEEDS TO BE REINED IN

In summary, CAPREIT has created an amazingly lucrative business model that takes advantage of both lax regulations and inadequate tenant protection laws to maximise profit margins - the envy of any corporate executive worldwide. CAPREIT's business model is to buy up massive swaths of Canada's limited affordable market rental housing stock, only to make it unaffordable. CAPREIT's destruction of affordable housing in Canada is outpacing the construction of new affordable housing built through taxpayer funding. Taxes they manage to avoid.

ACORN's National Board will soon be launching a campaign calling for substantive and structural changes to how REITs are regulated and taxed in Canada. If the current situation continues, the vast majority of affordable market apartment buildings in Canada will be completely unaffordable within the next decade. In the meantime, the ACORN CAPREIT Tenant Union is organizing tenants in buildings at the local level and across the country, and pushing a public campaign against CAPREIT.

ACTU'S DEMANDS TO

CAPREIT CEO MARK KENNEY



COVID-19 Emergency

Data shows that COVID rates are highest in neighbourhoods with apartment buildings. No surprise, as working class tenants have jobs in the sectors on the front lines ensuring that hospitals, transit systems, grocery stores, and long-term care facilities stay open. However, too often, the apartments they come home to do not have basic COVID procedures to keep the viral spread in check. Similarly, early on in the pandemic, CAPREIT made commitments that no tenant would be evicted and all rent increases would be stopped for the duration of the pandemic. As we head into winter with the pandemic raging across Canada, CAPREIT has begun raising rents, and evicting tenants. This must stop.

Recognize ACORN CAPREIT Tenant Union and allied Tenant Associations

Tenant Unions and Associations are vital to a healthy and well maintained apartment building. Unfortunately, CAPREIT often fails to recognize these Tenant Unions and Associations, forcing the relationship to be adversarial.

DEMAND #1

- Reinstatement of the COVID Eviction Ban.
- Reinstatement of the COVID Rent Freeze retroactive to March 25th.
- Develop and enforce a national COVID maintenance strategy along with health and safety protocols.

DEMAND #2

- Agree to quarterly meetings between the ACTU National Leadership and CAPREIT Executive.
- Regular meetings between local building ACTU and Allied Tenant Associations and appropriate regional operations managers.

ACTU'S DEMANDS TO

CAPREIT CEO MARK KENNEY



Work with ACTU in appointing an Ombudsperson

The deep-rooted problems in CAPREIT's apartment buildings result from a corporate culture that prioritizes profits over tenants. CAPREIT's corporate policies have created an affordable housing crisis, and lack of proper building management that forces tenants to live with large scale pest and maintenance issues.

Tenant Relations

CAPREIT needs to ensure that the needs of vulnerable communities living in their buildings are given the support and protection that they need.

DEMAND #3

- Act in the tenants' interest, investigating and addressing issues raised by tenants, and ensure CAPREIT is adhering to its commitments.
- Review CAPREIT's existing tenant relations, building maintenance and strategies and research CAPREIT's effects on affordable housing.
- Provide recommendations to CAPREIT and ACTU for the creation of:
 - National Pest Control Strategy
 - National Maintenance Strategy
 - National Affordable Housing Strategy

DEMAND #4

- Work with tenants and community translation services and resources so residents who are ESL/FSL have equal opportunities to access resources and speak to management.
- Commit to outfitting and maintaining accessible units to accommodate tenants with disabilities.

ACTU'S DEMANDS TO

CAPREIT CEO MARK KENNEY



Affordable Housing

The damage to the Canadian affordable housing stock that is caused by CAPREIT's business practices are extreme. No longer can CAPREIT not pay fair taxes, make record profits, destroy affordable rentals, and price gouge tenants.

DEMAND #5

- National Rent Control Commitment: Post-pandemic commitment to keep rent increases the same across Canada. For example, not exploiting AGIs in Ontario or the lack of rent control in Nova Scotia.
- Stop price gouging tenants on substandard units by keeping affordable units maintained and reducing unit turnover by retaining long-term tenants.
- Set aside a certain percentage of newly rented units to be maintained at below market rents.
- Commit to setting aside a certain percentage of units in buildings as below market rentals. End AGIs by committing 10% of operating revenues to capital repairs.

Environmental Commitment

Emissions from Apartment buildings in Canada add up to about 111 million tonnes of greenhouse gases, and account for 17% of the country's total emissions according to a Senate Committee Report from 2018. This makes apartment buildings one of the largest carbon emitters in the country. This is not the tenants' fault, and the burden for fixing this cannot be passed onto tenants. It is crucial that landlords like CAPREIT are held to account for their role in the climate crisis and are forced to take action in a way that benefits tenants and the environment.

DEMAND #6

ACTU and ACORN's Ecojustice Network demand that:

- CAPREIT replace old and broken appliances with energy efficient appliances, including kitchen equipment and laundry facilities.
- Work with ACORN and government agencies on apartment retrofit programs and sign Community Benefits Agreements with ACORN and government agencies to ensure co-benefits are maximized (local hiring and job training, living wages, tenant leadership in retrofit design).
- Create a National Recycling and Compost Program developed to reduce waste from buildings. Ensure the costs of all programs are not passed onto the tenants.