



**Canadian
Federation of
Apartment
Associations**

**Fédération
Canadienne Des
Associations
De Propriétaires
Immobiliers**



February 2008

National Outlook

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New Brunswick Apartment Owners Association Hosts CFAA 2008 Conference in Saint John, New Brunswick, June 11 to 14

CFAA has scheduled its 2008 conference for Saint John, New Brunswick, starting with the Welcome Dinner in the evening of Wednesday, June 11; and continuing with the Association Conference on Thursday, June 12; the Policy Conference on Friday, June 13; and the CFAA AGM and face-to-face Board meeting on Saturday, June 14.

The New Brunswick Apartment Owners Association (NBAOA) will be holding its Trade Show in conjunction with the CFAA

Conference on Thursday and Friday. CFAA's policy conference topics will be the undue property taxes on residential rental units across Canada, and housing allowances.

Please mark your calendars now to attend the 2008 CFAA Conference.

Sponsorship opportunities are available and limited. For more information, please contact us at events@cfaa-fcapi.org or call (613) 235-0101.

2007 In Brief and CFAA's Direction in 2008

A look back at 2007

From the summer of 2006, continuing through 2007 and now, CFAA's main work has been to promote tax deferral on reinvestment in real estate. Along with our allies – the Canadian Real Estate Association and the Real Property Association of Canada – CFAA has met Finance Minister Flaherty's tax policy advisors, Finance Department officials, numerous MPs, includ-

ing key opposition MPs, and the Prime Minister's Office (PMO). CFAA has on-going contact with the Finance Minister's office, the PMO, the officials and the Opposition.

CFAA has ongoing meetings with Minister Solberg, the Minister responsible for housing, homelessness and the CMHC.

CMHC expanded its rental surveys and sought

(Continued on page 2)

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Un pas vers l'équité fiscale : le report fiscal du emploi des recettes de ventes immobilières

Par John Dickie, Président, CFAA-FCAPI

En vertu des règles fiscales fédérales actuelles, lorsqu'une propriété immobilière locative est vendue, le propriétaire doit payer une taxe sur l'allocation du coût en capital récupérée (jusqu'à 48 %) et sur tout gain en capital (jusqu'à 24 %). (Les gains en capital ne sont pas ajustés au préalable pour tenir compte de l'inflation; ainsi, tout gain peut être annulé par l'inflation avant même l'application de la taxe.) En raison de l'impact de la taxe, un échange de pro-

priétés de valeur égale n'est pas possible.

L'impossibilité de reporter la charge fiscale sur les recettes de la vente et leur emploi pour l'achat de propriétés locatives occasionne de nombreux problèmes et iniquités économiques. Certains soutiennent que le report fiscal entraînerait un traitement de faveur du secteur de l'immobilier; or, cela éliminerait certaines iniquités qui subsistent.

Le report fiscal du emploi des recettes de

(suite à la page 2)

Le report fiscal, cont'u.

(Suite de la page 1)

ventes immobilières permettrait de :

1. Ajuster les règles du secteur de l'immobilier en fonction de celles d'autres secteurs commerciaux.

Les propriétaires de petites sociétés peuvent actuellement reporter les taxes fiscales sur la vente de leurs entreprises et réinvestir dans une autre, tandis que les propriétaires d'immeubles locatifs n'ont pas la possibilité de reporter les taxes fiscales sur les recettes de vente et leur emploi.

2. Équilibrer les règles régissant les entreprises qui louent et les entreprises propriétaires.

Pour déménager leurs bureaux, réduire leurs effectifs ou développer leurs activités, les propriétaires d'entreprise qui possèdent leurs locaux peuvent actuellement reporter les taxes fiscales sur les recettes de vente et leur emploi. Par exemple, les propriétaires d'une imprimerie qui occupe un bâtiment évalué à

500 000 \$ peuvent le vendre, acheter un nouveau bâtiment valant un million de dollars, et refinancer leur position fiscale afin de reporter les taxes fiscales jusqu'à la vente de ce dernier. Toutefois, si un propriétaire d'entreprise loue un local, le propriétaire immobilier ne peut pas reporter les taxes fiscales et doit immédiatement payer ces taxes sur toute vente de propriété. À long terme, cela augmente les loyers que doivent exiger les investisseurs immobiliers des locataires commerciaux.

3. Ajuster les règles du secteur de l'immobilier locatif en fonction de celles qui régissent les parts d'entreprises.

Les trois quarts des parts d'entreprises sont investis dans des régimes avec report d'imposition, comme les caisses de retraite et les REER. Les REER ne peuvent être investis dans l'immobilier. Si le report fiscal était permis, de 50 % à 75 % du marché de l'immobilier pourrait profiter du report fiscal, ce qui serait tout de même inférieur au pourcentage actuel des parts d'entreprises.

4. Permettre aux propriétaires-gestionnaires de déménager.

Les propriétaires d'immeubles locatifs ont les mêmes besoins en matière de déménagement que les autres investisseurs. Si une personne déménage à l'autre bout de la province ou du pays, elle peut facilement apporter ses titres, tandis que les propriétaires d'immeubles locatifs ne peuvent déplacer leurs immeubles. Afin de gérer la propriété de leur nouvel emplacement, ils doivent vendre une propriété pour en acheter une autre. En permettant aux investisseurs de reporter les taxes fiscales dans de telles situations, les règles régissant l'immobilier et les titres seraient équilibrées.

Conclusion

Permettre aux propriétaires d'immeubles locatifs la possibilité de reporter les taxes fiscales sur les gains en capital et de récupérer l'allocation du coût en capital lorsqu'ils réinvestissent dans l'immobilier rendrait le système fiscal plus équitable et juste.

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- My Ideal Home Rentals,
- TD Canada Trust, and
- Telus

CFAA Direction, Cont'd

our members' feedback on its new web-survey.

Feeding information to allies helped obtain the endorsement of portable housing allowances by the Federal Liberal Women's Caucus.

CFAA was asked to provide input to Natural Resources Canada on energy programs.

Internally, CFAA addressed how landlord associations can best serve members and address other internal issues. We discussed landlord licensing, accreditation and education across Canada.

CFAA worked with our Alberta and

Saskatchewan member associations to help hold off rent control.

CFAA's Direction in 2008

CFAA will continue working hard for a tax deferral on re-investment in the 2008 budget, or if need be in the 2009 budget. CFAA will also begin pushing for another tax reform, such as lower capital gains taxes.

CFAA will continue our discussions with the office of the Minister responsible for housing.

CFAA will have continued contact with:

- Allies (like-minded associations like CREA and REALpac),
- CMHC and

- Natural Resources Canada
- CFAA will continue information exchange and visits to our member associations to raise CFAA's visibility with more members.

Finally, as time permits, CFAA will continue helping member associations with their key political issues.

To read more about CFAA's current goals, please see CFAA's submission to the Provincial-Territorial Housing Ministers Conference, starting at p. 6.

As usual, in 2008 you will be able to read about our progress in our newsletter and in the articles we write for member association newsletters, and on our website at www.cfaa-fcapi.org.

Third Call for Proposals—Applications for Federal Energy Retrofit Grants Due by March 31, 2008

The Third Call for Proposals of the commercial/institutional buildings component of ecoENERGY Retrofit – Small and Medium Organizations runs from February 5, 2008 to March 31, 2008.

The program applies to multi-unit residential buildings with a common en-

trance and at least four storeys or a footprint of 600 square metres or more. (The program also applies to certain mixed-use, commercial and institutional buildings.)

For more information, see the article on page 4 of the November 2007 edition of National Outlook.

For the latest forms and information, go to:

<http://oee.nrcan.gc.ca:80/commercial/financial-assistance/existing/retrofits/forms.cfm?attr=20>

New member—Multiple Dwelling Standards Association (of Toronto, Ontario)

In January 2008, CFAA welcomed a new member apartment association, the Multiple Dwelling Standards Association. MDSA is centred in Toronto, Ontario, and was founded in 1970. MDSA is a regular apartment association with landlord and supplier members.

MDSA provides information and member benefits (such as a very popular gas plan), as well as representation to the governments of Toronto and Ontario. The Multiple Dwelling Standards Association, the Federation of Rental-housing Providers of Ontario, and the

Greater Toronto Apartment Association co-ordinate their government relations work. For more information, see the MDSA website at www.mdsa-online.com.

Incitatif écoÉNERGIE Rénovation pour les bâtiments

oee.nrcan.gc.ca/commerciaux/appui-financier/existant/ameliorations/index.cfm?attr=20

Les propriétaires de petits et moyens bâtiments des secteurs commercial et institutionnel manquent souvent des ressources financières et techniques nécessaires pour apporter des améliorations énergétiques à leurs bâtiments.

L'Office de l'efficacité énergétique de Ressources naturelles Canada offre maintenant l'Incitatif écoÉNERGIE Rénovation pour les bâtiments, une composante d'incitatifs financiers écoÉNERGIE Rénovation destinée aux

maisons, aux bâtiments et aux processus industriels des secteurs commercial et institutionnel. Si vous n'avez pas encore commencé un nouveau projet d'efficacité énergétique, vous pourriez recevoir le moindre des montants suivants, soit 10 \$ par gigajoule d'économie d'énergie estimé, ou soit 25 p. 100 des coûts admissibles du projet.

Lorsque vous présentez une proposition, il vous faudra fournir une vérification préalable de la consommation d'énergie du projet pour votre bâtiment. Vous ne

pouvez pas non plus engager des dépenses pour le projet avant d'avoir reçu un Accord de contribution signé par le gouvernement du Canada.

La période du troisième appel de propositions s'échelonne du 5 février au 31 mars 2008.

National Outlook is published between the 1st and 15th of:

- February
- May
- August
- November

You can view past editions of National Outlook at:
www.cfaa-fcapi.org/newsletter.html



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News Release: Ottawa urged to encourage reinvestment in urban cores and rental housing

OTTAWA – January 31, 2008 – Three national associations whose members are central to the investment, management, purchase and sale of real property are calling on the federal government to change capital gains tax policy in the 2008 federal budget to encourage reinvestment. The members of the three associations generate hundreds of billions of dollars of economic activity annually.

The policy change proposed by The Canadian Real Estate Association (CREA), the Canadian Federation of Apartment Associations (CFAA) and the Real Property Association of Canada (REALpac) would support urban regeneration and expand rental housing in Canada by encouraging new investors, and by providing existing owners the opportunity to re-invest because of capital gains deferrals.

The three Associations have completed new research to support the proposal to allow the deferral of capital gains tax and recaptured capital cost allowance when an investment property is sold and the proceeds of the sale are reinvested in another property within a year.

The research shows that the first-year cost of implementing the proposal would be \$415 million, not taking into account offsets from increased economic activity. The group of taxpayers who would benefit most from the change would be those with net incomes of \$50,000 or less. The research also shows current tax policy creates a negative “lock-in effect” so investors hold onto old assets to avoid having to pay tax, rather than selling and reinvesting in new assets.

CREA Chief Executive Officer Pierre Beauchamp said the new research confirms the investment impact of the tax deferral proposal. “The deferral would trigger major economic activity that would far outweigh costs to the treasury in the long-term,” he said. “Small-scale investors typically renovate property and make related purchases when they reinvest.”

CFAA President John Dickie said the proposal would reduce the cost of rental

housing and improve affordability and housing supply. “Tax policy has discouraged the private sector from building and maintaining rental housing,” he said. “Renters will benefit from a larger supply of units and lower rents.”

REALpac Chief Executive Officer Michael Brooks pointed out that the proposal is for a tax deferral rather than a tax reduction. “No capital gain is actually realized when one asset is sold and another of equal value is purchased,” he said. “The sale of an asset without reinvestment would continue to be taxable.”

The new research was completed by two leading academics: Dr. Thomas Wilson, Senior Advisor at the University of Toronto’s Institute for Policy Analysis, and Prof. James McKellar, Academic Director of the Real Property Program at York University’s Schulich School of Business.

Dr. Wilson used tabulations compiled by Statistics Canada with tax returns reporting capital gains for 2005. He conducted separate studies for capital gains tax and the recapture of capital cost allowance for individuals and corporations. The cost of lost tax revenues from individuals, small businesses and other corporations would be about \$258 million. The cost of deferring the recapture would be \$157 million, for a potential first-year total cost of \$415 million. These figures do not include offsetting benefits from spin-off activities that would grow over time.

Using the same data, Dr. Wilson found that about 66 per cent of those reporting real property gains in the 2005 taxation year had net incomes of \$50,000 or less. They realized capital gains of \$3.8 billion or about 57 per cent of the dollar value of all capital gains.

Prof. McKellar also looked into what is known as the “lock-in effect”. His analysis shows taxes applied to capital gains only at the time of sale can trap capital in inefficient investments when it could be used more productively elsewhere. Those most affected are small-scale investors, including owners of rental housing, who tend to retain real property holdings to avoid tax conse-

quences. The lock-in effect can be readily seen in underutilized and often boarded-up buildings in deteriorating urban cores throughout the country.

The complete capital gains reinvestment study is available in PDF format for download from the web site of The Canadian Real Estate Association (www.crea.ca).

The Canadian Real Estate Association (CREA) is one of Canada’s largest single industry associations, representing 94,000 REALTOR® members who are active in all phases of the real estate industry. The membership includes the Canadian Commercial Council, whose 6,000 members specialize in industrial, commercial and institutional properties.

The Canadian Federation of Apartment Associations (CFAA) represents the owners and managers of close to one million residential rental units in Canada through 17 organizations across Canada. CFAA is the sole national organization representing the interests of Canada’s \$37 billion rental housing industry, which houses almost four million Canadian households.

REALpac is Canada’s premier industry association for investment real property leaders. REALpac’s mission is to bring together the country’s real property investment leaders to collectively influence public policy, to educate government and the public, and to ensure stable and beneficial real estate capital and property markets in Canada. REALpac members currently own in excess of \$150 billion in real estate assets located in the major centres across Canada and include real estate investment trusts, publicly traded and large private companies, banks, brokerages, crown corporations, investment dealers, life companies, and pension funds.

Editor’s Note:

The CFAA, CREA and REALpac news release was reported in several of Canada’s major newspapers, including the Globe and Mail, the Calgary Herald, the Montreal Gazette, Montreal’s La Presse and the Edmonton Journal.

CFAA Director Al Kemp Receives BC Solicitor General's Award for Outstanding Contribution Toward Crime Prevention and Community Safety in British Columbia



In 2000, Al Kemp, CFAA Director and CEO of the Rental Owners & Managers Society of BC, began advocating the introduction of the Crime Free

Multi-Housing Program in Victoria. It is a crime prevention program designed to reduce crime, drugs, and gangs on multi-residential properties. This program was developed at the Mesa Arizona Police Department in 1992 and is now used in many provinces across

Canada. The program has seen not only an increase in tenant safety and building security, but also dramatic decreases in police calls to certified buildings.

The program consists of three phases that are completed under the supervision of the local police department:

1. a training session for managers.
2. an assessment of the building's security.
3. a tenant social, where tenants are taught techniques to ensure the building and their homes remain secure.

At the successful completion of all

three phases, the property becomes fully certified.

To live in a certified building, tenant applicants must have a criminal background check; the police then tell the landlord whether or not the tenant has a criminal background that precludes them from renting a unit in the building. Only certain crimes will place a tenant on the exclusion list.

For his work, Al received the Solicitor General's award for outstanding contribution toward crime prevention and community safety in British Columbia. Congratulations, Al!

Tax Changes Detrimental to Rental Housing Industry

Since the early 1970s, the tax treatment of rental housing has become steadily worse. Here is a list of the tax changes which have disadvantaged the rental housing industry and renters since 1971:

- capital gains on rental properties become taxable, with an inclusion rate of 50%

(Tax becomes payable on capital gains on other income earning assets as well, but capital gains were and are a major driver for real estate investment. Setting the inclusion rate at 50%, rather than higher, is alleged to allow a reward for the risk involved; however, with the amount of inflation that has occurred since 1971, the exclusion of 50% of capital gains may not even allow sufficient adjustment for inflation, let alone any compensation for risk.)

- the ability to pool real estate properties to treat assets together in the calculation of recapture of CCA is eliminated
- serious inflation results in illusory

capital gains being taxed, in effect turning the tax on capital gains into a tax on capital itself

- the rate of depreciation (CCA) for wood frame construction is cut in half, from 10% to 5%, advancing significantly the date taxes are payable
- deductibility of soft costs in first year is restricted
- the CCA rate is cut in half in the year of acquisition by the "half-year rule"
- deductibility of soft costs in the year of acquisition is further restricted for rental property owners not in the business of real estate.
- a lifetime capital gains exemption of \$20,000 is introduced for individuals, which is to increase to \$500,000
- MURB rules are repealed retroactively preventing the application of CCA deduction to offset income from other sources
- the lifetime capital gains exemp-

tion is capped at \$100,000; and cumulative net investment loss rule reduces the value of the exemption

- rate of depreciation (CCA) for all buildings is reduced from 5% to 4%
- the inclusion rate for capital gains is increased to 66.67% with effect retroactive to 1972 or the date of acquisition, whichever is later
- the inclusion rate for capital gains was increased to 75% with retroactive effect (this has since been reduced to 50%)
- GST introduced and applied to rental housing construction and operation
- the lifetime capital gains exemption is eliminated.

CFAA is working hard to change the current Federal tax environment for the rental housing industry. For more information on what CFAA is doing, see the articles throughout this publication.

If you think someone from your landlord association deserves recognition in the next edition of CFAA's National Outlook, e-mail your story with a picture to executive.vp@cfaa-fcapi.org.

CFAA Submission for the February 2008 Meeting of the Provincial-Territorial Housing Ministers

Editor's note: The Provincial-Territorial housing ministers met on February 6, 2008. BC Housing Minister Rich Coleman (the then Chair of the Housing Ministers Forum) invited CFAA to make a submission to the conference, which he said he will also share with the Federal government. CFAA made the following submission:

Dear Minister Coleman:

CFAA appreciates your invitation to make a written submission to the Provincial-Territorial Housing Ministers' Conference taking place in Vancouver in February. Due to time constraints CFAA is writing this on behalf of itself and on behalf of the Real Property Association of Canada (REALpac) and the Canadian Real Estate Association (CREA).

CFAA supports federal housing programs that:

- are long term and predictable;
- allow flexibility in the use of funding;
- encourage the growth of private-sector rental housing;
- focus on supportive housing to end homelessness; and
- address affordability, which is the predominant housing need apart from homelessness.

The two key issues we wish to address are:

- tax deferral on real estate reinvestment; and
- portable housing allowances.

Tax Deferral on Real Estate Re-Investment

In the year 2000, CFAA, the Real Property Association of Canada (REALpac) and the Canadian Real Estate Association (CREA) were encouraged when the Provincial/Territorial Ministers recognized that tax policy posed a barrier to rental housing development, and agreed to "formulate action plans" to address both tax and regulatory barriers. In 2003 the Minis-

ters' communique said, "the Ministers agreed to work together to examine possible tax measures, including capital gains roll-over provisions, for consideration by their respective Ministers of Finance." Regrettably, nothing seemed to come of that agreement. However, CREA, REALpac and CFAA have researched the application of a rollover to encourage reinvestment in real property. Attached is a CREA Brochure giving the highlights of the research conducted by two of Canada's leading academic authorities on real property and tax policy. The Bulletin includes detailed cost estimates and explanations of the benefits of the proposed tax reform. What follows are the key benefits, and some additional comments on the equity of the proposed reform.

Under the current federal income tax rules, when a rental real estate property is sold, the owner must pay tax on the recaptured CCA (at up to 48%) and on any nominal capital gains (at up to 24%). (Capital gains are not adjusted first for inflation, and therefore much of any gain may be eaten up by inflation, even before the tax is applied.) Due to the tax impact, an even trade of properties of the same value is not possible. The inability to defer the tax burden on the sale and reinvestment in rental real estate creates numerous economic problems and inequities.

Allowing tax deferral on real estate reinvestment would:

1. Reduce the cost of rental housing, and improve affordability and housing supply

When producers of a product are more heavily taxed, the price charged to consumers is increased. Rental property is no exception. Because rental property owners cannot defer taxes, they incur immediate tax costs on any property reinvestments, and in the long run those costs are passed on to tenants in the form of higher rents. Lower costs will result in lower rents (i.e. improved affordability) and a larger supply of

rental housing.

Allowing tax deferral would facilitate rental property sales and purchases. Because they come with "fresh eyes," new owners frequently see ways to improve rental properties. With the ability to defer tax on capital gains upon reinvestment, existing owners will likely become buyers of new rental properties for several reasons: they may want to buy a building in a new area; to acquire a property with fewer maintenance requirements or to change the size of their holdings. That will tend to improve the use and maintenance of both the property that is sold and the property that is bought.

2. Promote efficient capital allocation across the economy

The absence of a tax deferral on reinvestment creates a "lock-in" effect; in other words, to avoid tax consequences, investors retain real estate assets when other assets would provide a higher return. That is a drag on the economy, and results in lower economic growth and less productivity across Canada. Allowing tax deferral would eliminate that effect.

3. Promote more compact, environmentally sound urban redevelopment

The lock-in effect also inhibits the redevelopment of land in urban areas. It discourages the redevelopment of significant pieces of land into their most productive uses, contributing to urban decay and to urban sprawl. Allowing tax deferral would facilitate the rehabilitation of brownfield sites and compact, environmentally sound redevelopment in cities.

4. Help small investors and middle-income families

Investment rental property is very widely held, much more widely held than shares in public or private companies. For example in 2005, 66% of those who reported capital gains on rental real estate had less than \$50,000 per year in income other than those

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CFAA Submission for the February 2008 Meeting of the Provincial-Territorial Housing Ministers (cont'd)

(Continued from page 6)

gains. For those people the gains averaged \$40,000 each.

5. Permit relocation by owner-managers

Rental property owners have the same relocation needs as other investors. If a person moves across their province or across Canada, they can easily take their stocks and bonds with them, but the owners of rental property cannot move their rental buildings. To be able to manage their property in their new location, rental property owners have to sell one property and buy another. Enabling investors to do that more freely would reduce absentee ownership and improve communities, as well as improving labour mobility across Canada, which is important for economic productivity.

6. Level the rules between rental property and other businesses

People who own small business corporations can defer taxes on sale of their business and reinvestment in another small business now, but people who own rental real estate do not have any ability to defer taxes upon reinvestment.

7. Level the rules between businesses which rent and which own their premises

To relocate, downsize or expand, business owners who own their premises can defer taxes on sale and reinvestment in their premises now. For example, the owners of a print shop operating in a building worth \$500,000 can sell it, buy a building worth \$1,000,000, and roll over their tax position to defer tax until the latter building is sold. However, if the business owner rents their premises, the property owner cannot defer taxes, they incur immediate tax costs on any property sales. In the long run that raises the rents real estate investors need to charge to their business renters.

8. Level the rules between rental property and shares in companies

Three quarters of [public] company

shares are held in tax deferred vehicles such as pension plans and RRSPs. Real estate is not eligible for RRSPs. Allowing a tax deferral would result in between 50% and 75% of real estate gaining tax deferral, which would still be less than the deferral level which exists in company shares.

The proposal is a deferral only

To allow tax deferral on reinvestment is not a tax reduction; rather it is merely a tax deferral. The tax on capital gains and the recaptured CCA will ultimately be paid. The proposal is only to defer the tax, and only if the proceeds of a sale are reinvested in a replacement property within 12 months of the sale. On that basis, no capital gains have been realized; only an exchange of properties has taken place. Moreover, given that a lower undepreciated capital cost will apply, the taxes received on the income from the replacement property will be higher than they would be without the deferral.

The deferral cost of the proposal is reasonable

The government revenues that would be deferred by the proposal in the first year after implementation are approximately the following:

	Federal	Provincial/Territorial
Deferred tax on capital gains	\$ 258M	\$ 129M
Deferred tax on recapture of CCA	\$ 157M	\$ 79M
Total revenue deferral	\$ 415M	\$ 208M

In the years that follow the first year, the direct deferral amount should decrease given that taxes payable (deferred from the first and subsequent years) would appear as an additional tax payable thereafter. Besides that, the increase in transactions resulting from reducing the lock-in effect would generate increases in economic activity and thus higher taxes on that activity. Increased income and capi-

tal gains from reducing the lock-in effect would also tend to raise tax revenue in future years. Over time, the deferral “cost” would decrease toward zero, while the economic benefits would quickly make the overall impact on government revenue positive.

Other supporting associations

Besides CFAA, CREA and REALpac other major associations endorse the tax deferral proposals, including

- Canadian Home Builders Association
- Federation of Canadian Municipalities
- Ontario Non-profit Housing Association
- Canadian Chamber of Commerce

The comments of those organizations are noted on the enclosed sheet entitled “What other organizations say about tax deferral.”

Conclusion on Tax Deferral

Permitting rental property owners to defer capital gains tax and the recapture of capital cost allowances when they reinvest in real estate would increase rental housing supply and improve affordability, as well as benefiting residential tenants, Canada’s economy, Canada’s cities, business renters and small, middle-class investors, and move the tax system toward greater equity and fairness. We urge you to promote tax deferral on reinvestment as a key first step in tax reform to facilitate the expansion of the supply of private rental housing. CFAA, REALpac and CREA ask you and all Provincial/Territorial Housing Ministers to endorse the proposal and to work together with us to enlist the support of the Provincial, Territorial and Federal Finance Ministers to make the proposal a reality.

Portable housing allowances

Many groups are calling for portable housing allowances as a key method of addressing affordability. Those

(Continued on page 8)

CFAA Submission, Cont'd

(Continued from page 7)

groups include:

- Canadian Federation of Apartment Associations
- Real Property Association of Canada
- Canadian Home Builders Association
- Centre for Equality Rights in
- Federation of Canadian Municipalities

In the background document to its 2008 Housing Action Plan FCM says, "the analysis of housing need clearly documents the predominant problem as one of affordability. ... Affordability problems account for 93% of core housing need. ... [portable shelter allowances] (i.e. linked to a household, not contracted to a unit) can be effective in helping to reduce these high shelter burdens."

FCM's costing shows the value-for-money feature of portable housing allowances. In its 2008 Housing Action Plan FCM estimates a Canada-wide average cost per household of \$38,000 for housing allowances as opposed to \$107,000 for new construction (p.24). That means that 2.8 households can be helped through housing allowances for each

household which is helped by construction subsidies. FCM also notes housing allowances are well suited to payment of part of the affordability gap, which means that yet more households can be helped at the same total cost.

The FCM recommendation lines up with the recommendations of numerous other organizations from all sides of the housing and poverty reduction debate, as listed on the attached sheet, "What do various organizations say about housing allowances?"

CFAA has long advocated portable housing allowances, since portable housing allowances:

- allow tenants to choose where to live;
- use the existing economical housing stock, rather than expensive, newly built housing;
- achieve income mixing without the cost of subsidizing middle income tenants;
- avoid the stigma associated with public or social housing;
- allow tenants to keep their housing assistance when they move to take a new job;

- can easily be used both in and outside major cities;
- can be tailored to different provincial needs and resources;
- can be administered quickly and at very low cost; and
- allow help to be provided equitably among many more low income tenants.

Ensuring that future federal funding can be used for portable housing allowances would benefit tenants and taxpayers. CFAA and REALpac urge you to promote the ability to use federal housing funding for portable housing allowances.

Conclusion

CFAA urges the Provincial-Territorial Housing Ministers to call on the federal government to provide long-term housing funding to address the support needs of the chronically homeless, as well as addressing affordability through portable housing allowances, and renewing their call on the federal government to provide tax deferral on reinvestment, as a means of encouraging the private rental housing sector.

FCAPI proposition à la réunion provinciale-territoriale des ministres de l'habitation

Sommaire:

Monsieur le ministre Coleman,

La FCAPI vous est très reconnaissante de l'invitation à soumettre une proposition à la réunion provinciale-territoriale des ministres de l'habitation. ... la FCAPI vous présente ce document en son nom et de la part de l'Association des biens immobiliers du Canada et de l'Association canadienne de l'immeuble.

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Le report fiscal du emploi des recettes

de ventes immobilières permettrait de :

1. Réduire le coût du logement locatif, et d'améliorer l'abordabilité et l'approvisionnement en logements.
2. Favoriser la répartition efficace du capital au sein de l'économie.
3. Promouvoir un réaménagement urbain plus compact et écologique.
4. Aider les petits investisseurs et les familles à revenu moyen.
5. Permettre aux propriétaires-gestionnaires de déménager.
6. Ajuster les règles du secteur de l'immobilier en fonction de celles d'autres secteurs commerciaux.

7. Équilibrer les règles régissant les entreprises qui louent et les entreprises Propriétaires.

8. Ajuster les règles du secteur de l'immobilier locatif en fonction de celles qui régissent les parts d'entreprises.

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La FCAPI demande aux ministres ... de réitérer leurs efforts pour demander au gouvernement fédéral de permettre le report fiscal du emploi des recettes de vente....

Pour lire la proposition complète, veuillez voir http://www.cfaa-fcapi.org/pdf/SubmPTMinist0802_Fr.pdf



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