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## News Release

May 28, 2009

### **CFAA urges care in adoption of LIHTCs**

The Canadian Federation of Apartment Associations (CFAA) urges the government to think carefully before it adopts Low Income Housing Tax Credits (LIHTCs), which are suggested by the C. D. Howe Institute Commentary issued today.

In the United States, LIHTCs are used alongside a federal housing allowance program which provides \$15.8 billion of assistance per year, whereas Quebec currently spends \$90 million on housing allowances, and all the other provinces together spend only \$60 million. CFAA Chair Avrom Charach says, "Canada should put a Canada-wide portable housing allowance program in place before we adopt LIHTCs."

The goal of a program of LIHTCs is to promote new supply of rental housing. The reason that the new supply of purpose-built rental housing is low is the current inequities in the income tax system. Rental housing is taxed much more heavily than owner occupied housing. "What the government should really do to address the supply of rental housing is to reform the income tax system to stop discriminating against rental housing and against landlords and tenants", says John Dickie, CFAA President.

If the government insists on creating a new rental housing tax credit, then it should be open to rental housing at the full range of rent levels. New rental housing supply at higher rents enables existing renters to move up, thus freeing up affordable housing for low income tenants. This process is called filtering.

Tax credits can create more new rental supply at the same cost when they are not limited to the low end of the market: less incentive is needed to bridge the gap between the cost of the new unit and the rent the tenant can and will pay.

### **Conclusion**

CFAA believes that governments need to provide more help to low income tenants through housing allowances paid directly to tenants. To increase the supply of rental housing the best approach would be to reform the existing income tax rules that discriminate against landlords and tenants. If reforms are focused on new rental housing through housing tax credits, then those credits should be open to the full range of rent levels.

While LIHTCs are better than no housing action at all, housing tax credits will work best with an open design, and in a policy mix which includes more attention to direct help to tenants through a Canada-wide portable housing allowance program.

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