



Election Update

October 10, 2008

This is CFAA's final election update. It provides updated information on the parties' income tax policies, and compares the housing promises made in the release of the parties' platforms.

Income Tax policy

In our September Election Bulletin, we suggested that the Green Party position on income taxes might be relatively favourable toward landlords. The Green Party Platform suggests otherwise. To pay for their spending plan, the Green Party promises to raise \$5B of additional revenue by raising the capital gains inclusion rate. Instead of paying income taxes on 50% of capital gains, that would mean paying income taxes on 75% or 90% or 100% of capital gains. That is exactly the opposite of CFAA's policy on capital gains taxes. Since "paper" capital gains due to inflation are taxed, a higher inclusion rate could easily amount to a confiscatory tax on capital assets or wealth, including rental real estate.

Like the NDP, the Green Party plans to reverse the reduction in corporate income taxes implemented by the Conservatives. This would also have a negative effect on many landlords. Here is a summary of the parties' positions:

Taxes and tax increases

	Conservatives	Liberals	NDP	Green Party
Increased Corporate Taxes (compared to scheduled reductions)	No	No	Yes (\$51B over 4 years)	Yes
Carbon tax	No	Yes (\$39B / yr)	No	Yes (\$35B / yr)
Capital gains tax increase	No	No	No	Yes (\$7B / yr)

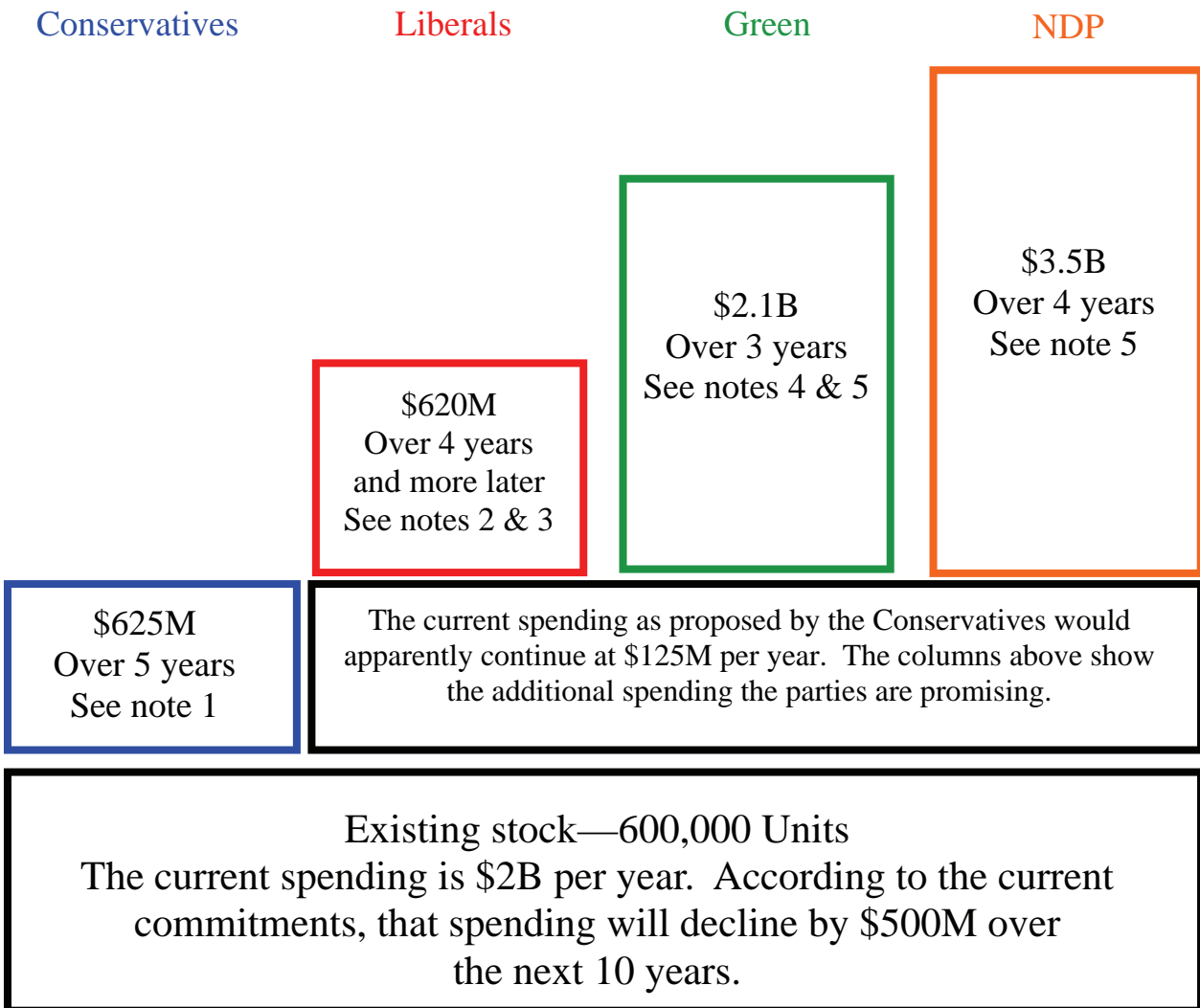
Housing promises

All four parties have committed to the renewal of the RRAP (for the renovation of substandard housing), and for the Homelessness Partnering Strategy, which address emergency shelters, other supports for the homeless and transitional housing. Those programs cost about \$264M per year.

Over the page we show a comparison of the spending promises on so-called "affordable" social housing. In CFAA's view such spending is wasteful because it produces housing at a high cost when the existing housing stock is available at a relatively low cost, and can be made available on an affordable basis by means of housing allowances or rent supplements. In addition, new social housing construction crowds out private housing (whether through reducing construction or increasing demolition). Therefore, rather than costing \$30,000 to \$90,000 in public funding, each net new rental unit created by social housing programs may actually cost \$120,000 to \$450,000 or more.¹

¹If the subsidy per unit is \$60,000 and two new units crowd out one existing unit, the cost of the net addition of one unit is \$120,000. If the subsidy per unit is \$90,000, and five new units crowd out four existing units, then the cost of the net addition of one unit is \$450,000. In his US research, Michael P. Murray found very high crowding out rates for the type of social housing typically built in Canada.

Proposed Spending on Social Housing



Notes

1. Whether this housing support would all be spent on social housing is not clear. Monte Solberg, the Minister responsible for housing, noted that in some communities using the money for rent supplements or housing allowances appears to be a good idea.
2. For major repairs to 30,000 social housing units and new construction of 30,000 social housing units. As noted in our Update of Sept. 26, the funds allocated are not sufficient for full capital subsidies for 30,000 units of new construction. The Liberals have clarified that they would commit to covering loans, so that much of the expenditure would continue after year 4.
3. While it does not appear in the Liberal platform, the Liberal Women’s caucus advocated the use of portable housing allowances.
4. \$2.6B is promised for both social housing and portable housing allowances. At \$150 per month and adding 40,000 households (as promised) to those receiving portable housing allowances, the spending for that would be about \$500M leaving \$2.1B for social housing construction.
5. For the Green Party and the NDP, some of their spending may increase the spending on homelessness and/or RRAP. However, both their platforms and history suggest strongly that the bulk of the money will be spent on social housing directed at the affordability problem.