

News Release

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CFAA welcomes federal Budget 2019

Today, Finance Minister Morneau announced a major increase in the funding for the Rental Construction Financing Initiative. That is a program of reduced-cost financing which has seen significant take-up by private rental housing developers. This is a very useful step in making it more attractive to develop rental housing. CFAA applauds the government's move.

As in all competitive markets for products or services, reduced costs tend to generate more supply of the product or service, which in turn tends to reduce the price of the product or service. In the rental housing market, reduced costs tend to generate more rental supply, which in turn reduces rents (or moderates rent increases if other costs are rising.) When new rental projects become available, existing renters often move up to new apartments or homes, thereby making available the rental units they move out of. In turn, renters from older, economical units move up into the units the other tenants vacated. That makes affordable rental housing available quickly to those who need it, at a fraction of the cost of subsidizing the construction of what is called affordable housing.

The key tax steps the federal government should take are the following:

- Take advantage of the move-up effect by reducing the GST/HST charged on new rental buildings;
- Treat rental housing as an active business; and
- Change the practice for determining whether major repairs are deductible as expenses.

CFAA President John Dickie says, "CFAA applauds the expansion of the Rental Construction Financing Initiative (RCFI). CFAA and our members hope that the government will also move forward with other steps to help make rental housing more available and more affordable. Any decrease in the taxes on rental apartments and townhouses would be a move in the right direction."

CFAA Chair Geoff Younghusband says, "While today's announcement is a positive move, the federal government needs to look seriously at the tax system and its effect on the incentives to encourage new rental housing construction. In their turn, the provinces and cities need to look hard at their property taxes, development charges and delays in planning approvals, as well as at their rent control rules. Those are the factors holding back much-needed purpose-built rental supply."

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