How Canada can create more rental housing

Moffatt, Mike; Boessenkool, Ken

FULL TEXT

Senior director (policy and innovation) and senior fellow, respectively, at the Smart Prosperity Institute Rents are skyrocketing across much of Canada, creating an affordability crisis, particularly for young people. And if this Liberal government continues to do nothing –or little –on the housing file, that may become a feature that defines them, and contributes to their political demise –especially because on the other side of the aisle is a Conservative Leader talking about housing as often as he can.

Pierre Poilievre appears to be making headway among those most affected by this issue: the very millennials that turned out in higher numbers to elect Justin Trudeau's Liberals in 2015 are almost 10 years older now, and many are finding housing to be all but out of reach. Yet he has also been a bit scant on details, and needs to show what he will do, so people can see what is under the rhetoric.

We would like to offer what we think would be an essential component of a solution to build more affordable purpose-built rentals, with an approach that borrows from the Liberals' private-sector incentives around clean technology. We hope both political sides take us up on it –and who knows, Jagmeet Singh might also find a version he likes.

Housing is, of course, a big, multifaceted and challenging topic that will require multiple solutions and approaches.

For us, we believe the "housing" issue is the confluence of at least three distinct, though overlapping, issues.

First is homelessness. How do we get people who are on our streets, and who face a myriad of issues and challenges, into housing?

Second is the supply of owneroccupied housing. Much has been done –in our view, probably too much –on the demand side of this issue, with various incentives and tax credits.

But not nearly enough has been done on the issue of procuring more supply, which is where the real issue is.

The third issue, not unrelated to the first two, is the supply of rental housing. Like the first two issues, the challenge here is more on the supply end of rental properties in our cities: more than 85 per cent of Ontario's stock of rental housing was built before 1980. This shortage has caused the average rent on an apartment to surge past $3,000 in Toronto and new lease rents on one-bedroom apartments to rise more than 20 per cent in a single year in communities from Lethbridge, Alta., to London, Ont., to Halifax.

A big component of the solution, then, would be to take the tax credit model that the recent federal budget used to incentivize green investment, and apply it to incentivize attainable, purpose-built rental properties in our cities. In fact, we used to do just this. Until 1972, depreciation rates were 10 per cent on woodframe buildings, and 5 per cent on concrete ones. These accelerated depreciation rates increased the rate of return in the early years of a purpose-built rental housing project. Investors could keep these gains so long as they invested the proceeds into a building that cost as much, if not more, which –along with a key provision that allowed rental owners to "pool" these capital cost allowances (CCAs) and carry them forward to another property acquired with the proceeds of a sold property –encouraged further building.

That pooling provision, however, was eliminated in 1972, and over time, changes to the tax code were made less generous, particularly around how soft costs are treated for tax purposes. In subsequent years, restrictions were introduced for soft costs as an upfront deduction for income tax purposes, and the CCA rate was reduced further. Removing these incentives contributed to the collapse of new rental housing builds. In 1972, more than 35,000 new

rental units began construction in Ontario; there weren't that many rental-housing starts in the entire 1990s.
We could reinvent these tools for 2023 and be nuanced in doing it. For example, we could have different depreciation rates for different policy objectives such as affordability, accessibility for persons with disabilities, and climate-friendliness. We have programs that already do some of this. The Canada Mortgage and Housing Corporation's MLI select program for mortgage insurance on multiresidential units has reduced rates for projects which are affordable, energy-efficient or accessible. We could use these exact definitions to have different depreciation rates –say, 6 per cent if it meets one metric, 8 per cent if it meets two, and so on.
The reintroduction of these accelerated depreciation rates for purpose-built rental housing should be part of the tool kit for boosting the supply. And this might be something on which all three of our major parties can agree.

DETAILS

Subject:	Rentals; Housing starts; Affordable housing
Business indexing term:	Subject: Housing starts Affordable housing
Location:	Canada
Publication title:	The Globe and Mail; Toronto, Ont.
First page:	A11
Publication year:	2023
Publication date:	May 1, 2023
Section:	News
Publisher:	The Globe and Mail
Place of publication:	Toronto, Ont.
Country of publication:	Canada, Toronto, Ont.
Publication subject:	General Interest Periodicals--Canada
ISSN:	03190714
Source type:	Newspaper
Language of publication:	English
Document type:	Opinions, Commentary
ProQuest document ID:	2808130800
Document URL:	http://myaccess.library.utoronto.ca/login?qurl=https%3A%2F%2Fwww.proquest.com%2Fnewspapers%2Fhow-canada-can-create-more-rental-housing%2Fdocview%2F2808130800%2Fse-2%3Faccountid%3D14771

Copyright:	Copyright The Globe and Mail May 1, 2023
Last updated:	2023-05-03
Database:	Canadian Newsstream

LINKS

Check for full text, Link to OCLC WorldCat