

Using Municipal Tax Credits to Achieve Improved Affordable Housing Conditions in your Community

Presented by:

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Focus on Existing Rental Housing

- The present affordable Housing Environment
- The inability to build new units, or provide rent supplements for existing units
- Realities of existing present day rental housing
- The Acquisition Option and Tax Credits
- Benefits to Municipalities

Capital Region Housing Corporation

- Incorporated in 1983 under the Capital Regional District
- Mandate to assist in the development and management of low and modest cost rental housing, home ownership or the repair of inadequate housing
- Operates under the direction of a Board of Directors made up of 6 CRD Directors and 4 Community Members

Previous Housing Development

- Approximately 1300 units, assessed value of \$110 million
- 460 units - CMHC Funding
- 645 units - Joint Federal/Provincial funding
- 200 units - Provincial Homes BC funding

B.C. Rental Statistics

- **35% of households are renters, up to 50% in large urban areas**
- **Estimated 500,000 households are renters**
- **75% of rental properties were built prior to 1980**
- **33% do not meet standards, 75% have deferred maintenance**

Tenant's Income

- **Median income of rental households \$27,072**
- **Over half pay more than 30% of their gross income towards rent**
- **Over one-quarter pay more than 50% of their gross income towards rent**

Please refer to handout "Facts about BC Rental Households" for further details

The Deterioration of Rental Stock - Why?

- **No financial incentive for landlords to maintain existing rental property**
 - **Rental Housing is the major “community asset”**
 - **This issue has now reached critical proportions and requires immediate action**
- Please refer to handout “Overview of Typical Landlord’s Predicament”**

THE CHALLENGE-

- How to develop additional affordable housing without the benefit of ongoing senior levels of government subsidy programs
- How do we preserve the existing rental housing stock

WHAT TO DO?

Use of Municipal Tax Credits

- Existing tax structures provide for the issuance of tax credit receipts
- Universities are now the largest charitable organizations in the world
- The non-profit agency must either have, or be associated with an organization that has charitable status in order to issue an official receipt

CCRA Directives and Guidelines

- Income Tax Information Circular #70-6R3
- Gifts and Income Directive - P113(E), Rev 98
- Interpretation Bulletin IT-288R2

By using charitable tax receipts as part of the purchase price for an existing property

- The Vendor earns a tax credit to reduce capital gains tax and recapture Capital Cost Allowances
- The Purchaser (Non-Profit Organization) benefits by using this approach in lieu of, or as a supplement to the cash equity required to purchase

Impact of Tax Credit

(appraised value \$1.1 million)
Cost Base = \$200,000 (1973)

| Sale to Private Landlord | | Sale Of Company Shares to Municipality/Non-profit Corp. | |
|--|-----------|---|-----------|
| Sale price | 1,000,000 | Sale price | 1,000,000 |
| | | Donated shares/ Tax Credit | 250,000 |
| Tax payable (Capital Gains & CCA recapture) | 350,000 | Tax payable | 65,000 |
| | | No CCA Recapture, L.T.T. or G.S.T. | |
| Net Proceeds | 695,000 | Net Proceeds | 635,000 |

Considerations

- CCRA advance tax ruling recommended for each Vendor's circumstances
- Appraisal accuracy
- Charitable spirit will be required

Benefits of Municipal Involvement

- Acquire with minimal or no equity
- Minimal financial risk
- Taxation credits provided by Provincial and Federal Sources
- Improve the quality and affordability of rental housing
- Facilitate community renewal
- Improve economic conditions

Advantages to Preserving Existing Rental Properties

- Excellent locations in downtown core
- Improves surrounding property values
- Better use of municipal infrastructure, transportation, recreation and education facilities
- Poor maintenance contributes to high turnover rate

The Best Way to Promote an Improved Sense of Community is to increase the length of residency

What next?

- **City of North Vancouver, Greater Vancouver Housing Corp. and BC Non Profit Housing Association are investigating the possibilities**
- **Further research and pilot projects**
- **What can Municipalities do ie. North Vancouver**