

# **Government Subsidies to Homeowners versus Renters in Ontario and Canada**

Prepared for:

**Federation of Rental-Housing Providers of Ontario  
and  
Canadian Federation of Apartment Associations**

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## EXECUTIVE SUMMARY

This report has been commissioned by the Federation of Rental-Housing Providers of Ontario and the Canadian Federation of Apartment Associations to document the magnitude of the subsidies provided by the federal government, the Ontario government, and municipalities in Ontario to private renters and private homeowners. Subsidies encompass both direct spending and so-called tax expenditures.

The subsidy calculations by tenure are summarized in the table below.

### Direct Spending and Tax Expenditures for Private Renters and Homeowners, Ontario and Canada, 2008/09

	Total Subsidies		Number of Households	Average Subsidy per Household	Average Pre-Tax Household Income (2008)
	\$ Millions	%			
<b>Ontario (All Three Levels of Government)</b>					
Homeowners	8,369.8	93.7	3,183,881	2,629	92,885
Private Renters	562.5	6.3	1,422,871	395	45,558
<b>Total</b>	<b>8,932.3</b>	<b>100.0</b>	<b>4,606,752</b>	<b>1,939</b>	<b>78,267</b>
<b>Canada (Federal Government Only)</b>					
Homeowners	15,816.1	92.6	8,677,662	1,823	91,122
Private Renters	1,263.9	7.4	4,109,370	308	43,794
<b>Total</b>	<b>17,080.0</b>	<b>100.0</b>	<b>12,787,032</b>	<b>1,336</b>	<b>75,912</b>

Source: Figures 1-3

### Highlights for Ontario

- Total spending for homeowners and private renters in 2008/09 amounted to \$8.9 billion, reflecting subsidies provided by all three levels of government to Ontario.
- 93.7% (or \$8.4 billion) of total spending went towards homeowners while the remaining 6.3% (or \$562 million) assisted private renters.
- The homeowner subsidies amounted to \$2,629 per homeowner in the province – over six times more than the average subsidies to private renters.
- There exists a wide disparity in terms of average household income between homeowners and private renters. In 2008, homeowners in

Ontario had an average household income of \$92,885; the average household income of private renters was far lower at \$45,558.

- The split in subsidies by tenure is the reverse of the disparity in income – the largest portion of subsidies went to households with the highest average incomes in 2008/09.

### **Highlights for Canada**

- Total federal spending for homeowners and private renters in Canada was \$17.1 billion in 2008/09.
- 92.6% (or \$15.8 billion) of total spending assisted homeowners while the remaining 7.4% (or \$1.3 billion) went to private renters.
- Similar to the case in Ontario, the income disparity between private renters and homeowners is large. In 2008, homeowners had an average household income of \$91,122 while renter households earned an average income of \$43,794.
- The amount of subsidies allotted to private renters and homeowners does not reflect the income disparity between the two tenure groups. Homeowners received an average of \$1,823 in subsidies per household while private renters – with far lower average incomes – only received an average of \$308 per household.

### **Conclusions**

The following conclusions emerge from a review of the subsidy estimates prepared in this study:

- Housing subsidies in Ontario and Canada encompassing both direct spending programs and tax expenditure provisions massively favour private homeowners over private renters; and
- This favouritism to homeowners occurs even though private renters on average have household incomes about one-half the average income of homeowners.

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# 1 INTRODUCTION

## 1.1 PURPOSE OF REPORT

This report has been commissioned by the Federation of Rental-Housing Providers of Ontario and the Canadian Federation of Apartment Associations to document the magnitude of the subsidies provided by the federal government, the Ontario government, and municipalities in Ontario to private renters and private homeowners. Subsidies encompass both direct spending and so-called tax expenditures.

## 1.2 FOCUS ON PRIVATE RENTERS AND HOMEOWNERS

The study concentrates on the relative size of housing subsidies to renters residing in private rental housing and households living in private ownership housing.

The difference in average incomes between homeowners and private renters should be considered in this analysis. According to the 2008 *Survey of Household Spending*, Ontario private renters had, on average, much lower incomes than owners. The average household income of Ontario renters excluding those receiving government housing assistance was \$45,558, about 50% below the average income of homeowners (\$92,885). The difference is similar for Canada where the average private renter household had an income of \$43,794, 52% less than the average owners' income (\$91,122).

Figure 1

### Average Household Income by Tenure, Ontario and Canada, 2008

	Number of Households		Average Household Income	
	Ontario	Canada	Ontario	Canada
	<i>Households</i>		<i>Dollars</i>	
Renters <sup>1</sup>	1,422,871	4,109,370	45,558	43,794
Homeowners	3,183,881	8,677,662	92,885	91,122
Renters as % of Homeowners	44.7	47.4	49.0	48.1

<sup>1</sup> Excludes renters who live in social housing.

Source: Altus Group Economic Consulting based on Statistics Canada's 2008 *Survey of Household Spending*

Social housing is outside the private market framework as it is owned by governments, non-profit groups or by cooperatives. Social housing is targeted at lower income households unable to afford adequate housing in the private market. As such, social housing spending can be regarded as an income support program for lower income households. Since much of the

direct spending by governments for housing goes to support social housing, social housing spending is included in this study as background, but treated separately from the consideration of private housing.

Similarly, the shelter component of social assistance is part of an effort to support the incomes of lower income households in Ontario. It is not considered in the analysis here because it is an income redistribution program and the benefits are neutral with respect to tenure in that both renters and owners are eligible for the benefits. It is estimated that about \$3 billion is spent for the shelter component of social assistance in Ontario with the bulk of this assistance benefitting renters.<sup>i</sup>

### **1.3 THE IMPORTANCE OF CONSIDERING TAX EXPENDITURES AS WELL AS DIRECT SPENDING**

Direct spending on housing by various governments is generally available from revenue and expenditure statements.<sup>ii</sup> Tax expenditures, which are government expenditures on housing in the form of tax provisions, are much less obvious and often overlooked in discussions of government spending on housing.

More formally, a tax expenditure “. . . is a tax provision that deviates from a normative or benchmark tax system. Tax expenditures may take a number of forms: exclusions, exemptions, allowance, deductions, credits, preferential tax rates, or tax deferrals”.<sup>iii</sup>

Illustrations of tax expenditures are:

- The exclusion of capital gains on the sale of a principal residence from capital gains taxation

Since 50% of capital gains are normally taxed as income, the absence of a tax on the gains from the sale of principal residences gives homeowners preferred treatment under the federal and Ontario income tax system not available to renters.

- A rebate under the federal Goods and Services Tax (GST) for new ownership and new rental housing construction

The GST provides a partial rebate of the tax on newly constructed ownership and rental housing. The dollar value of the rebate is dependent on the price of the new housing.

To provide a complete and reliable accounting of government incentives to private renters and homeowners, a consideration of both direct spending and spending through tax expenditures is essential.

The individual spending programs and the tax expenditure provisions considered in this report are described in Appendix A. Subsidies applying to both renters and homeowners where it is not possible to split the dollar amounts by tenure or where the dollar value of the subsidies are small are not included in the dollar estimates for subsidies contained in Appendix B.

#### **1.4 THE IMPORTANCE OF CONSIDERING ALL THREE LEVELS OF GOVERNMENT**

Historically, the bulk of direct spending on housing has been done by the federal government followed by the provinces with limited funding from municipalities, though the federal share has been declining. Tax expenditures are provided by all levels of government. Tax expenditures in the income tax system are provided by both senior levels. Those provided through the property tax come from Ontario municipalities.

In this report, estimates are made of the housing subsidies to homeowners and renters for Ontario by all three levels of government and by the federal government alone for Canada as a whole.

#### **1.5 HOUSING SUBSIDIES TABULATED FOR LATEST YEAR DATA ARE AVAILABLE**

The estimates of spending and tax expenditures for housing are provided for the most recent year for which the underlying data are available, which may be calendar years 2008 or 2009 and the fiscal year ending March 31, 2008 or 2009.

#### **1.6 QUALITY OF THE EXPENDITURE ESTIMATES**

Since the spending on housing programs is taken from public information released by various levels of government, its reliability should not be in question. The one challenge in this regard is to distinguish the level of government that is actually providing the funding since many programs involve all levels of government. Funding generally comes from the Government of Canada (via CMHC) followed by the Province (Ontario) with municipalities responsible for much of the spending.

## 1.7 HIGHLIGHTS OF PRIOR RESEARCH

The most comprehensive study of housing spending programs and tax expenditure provisions in Canada is one published in 1983 authored by Robert Dowler.<sup>iv</sup> This study focused on federal tax expenditures for Canada as a whole but also provided information on federal direct programs for the year 1980.

Dowler made “rough estimates” of the magnitude of housing spending by the federal government in 1980 that are summarized in his Appendix III.

Among his findings:

- The subsidies to private rental and ownership housing in the form of direct programs and tax expenditures by the federal government totalled an estimated \$6.16 billion in 1980; and
- Homeownership accounted for the bulk of subsidy dollars (\$5.84 billion or 95%)<sup>v</sup> with private rental housing accounting for about 5% of the total (\$318 million).

Spending on social housing amounted to about \$396 million at the time.

Dowler concluded that the vast majority of federal assistance in 1980 was directed toward ownership housing with two tax expenditure provisions – the non-taxation of net imputed rent and the exemption of capital gains on the sale of principal residences under the income tax – contributing to this preferential treatment of homeowners.

Some of the spending programs in place at the time Dowler did his analysis have expired and some new programs have been added.

On the tax expenditure side, the most obvious difference is the exclusion of capital cost allowance and so-called soft cost deductibility tax provisions relating to rental housing from the analysis here. In Dowler’s framework, capital cost allowances were a tax expenditure because they allowed owners of rental properties to claim depreciation expenses at a rate generally above actual depreciation in the earlier years of an investment but less than the actual depreciation in later years. This results in a tax deferral of some tax on rental residential properties. Dowler regarded soft costs linked to new construction (costs like mortgage fees, interest costs during construction, and marketing expenses) as a tax expenditure since they were then treated as a



current expense under the income tax when they are actually capital in nature.

Subsequent changes to the income tax provisions reduced the importance of these deductions. In 1988, the rate of capital cost allowance for rental buildings was reduced from 5 percent to 4 percent of the declining balance.<sup>vi</sup> Since 1992, most soft costs for new rental construction and renovations are capitalized and depreciated over time. Unlike Dowler, then, capital cost allowances and the deductibility of soft costs are not included as tax expenditures here.

## **1.8 STRUCTURE OF REPORT**

The report consists of one chapter in addition to the Introduction. This chapter provides the highlights of the study.

Two appendices are included as well. Appendix A describes the housing expenditure programs and the tax expenditure provisions examined.

Appendix B provides dollar estimates for individual spending programs and tax expenditure provisions included in the estimation analysis. Footnotes are relegated to the end of the report after the appendices.

## 2 HIGHLIGHTS OF THE CALCULATIONS OF HOUSING SUBSIDIES TO PRIVATE RENTERS AND HOMEOWNERS

This chapter tallies the annual expenditure for the various direct spending programs and tax expenditure provisions for homeowners and tenants, respectively, to discover whether the pendulum remains heavily weighted in favour of homeownership as it did in 1979, the year assessed in Dowler's 1983 report. It also discusses implications of these findings for housing policy in Ontario and Canada.

### 2.1 HIGHLIGHTS – ONTARIO

The estimates of direct spending and tax expenditures for Ontario include subsidies provided by the federal government in Ontario, the provincial government and municipalities in Ontario. Figure 2 sums the individual ongoing expenditure estimates and tax expenditure provisions for the year 2009<sup>vii</sup>.

Figure 2

#### Estimated Housing Spending and Tax Expenditures by Tenure, Ontario, 2009<sup>1</sup>

	Ontario			Total
	Federal	Ontario	Municipal	
<i>Millions of Dollars</i>				
<b>Private Homeowners</b>				
Homeownership Residential Rehabilitation Assistance Program (RRAP) (2008)	9.8	2.9	0.0	12.8
Senior Homeowners' Property Tax Grant	0.0	120.0	0.0	120.0
GST Rebates for New Ownership Housing	170.1	0.0	0.0	170.1
First-Time Homebuyers' Tax Credit	67.4	0.0	0.0	67.4
Non-Taxation of Imputed Net Rent	2,052.8	877.2	0.0	2,930.0
Non-Taxation of Capital Gains on Principal Residences	1,300.5	568.3	0.0	1,868.8
Preferential Property Tax Rates (2008)	0.0	0.0	697.1	697.1
Exemption of Imputed Rents from GST	1,240.6	0.0	0.0	1,240.6
Home Renovation Tax Credit	1,263.0	0.0	0.0	1,263.0
<b>Total Private Homeowners Spending</b>	<b>6,104.3</b>	<b>1,568.5</b>	<b>697.1</b>	<b>8,369.8</b>
<b>Private Renters</b>				
Rental Residential Rehabilitation Assistance Program (RRAP) (2008)	22.1	6.7	0.0	28.8
Exemption of Residential Rents from GST	444.3	0.0	0.0	444.3
GST/HST Rebate for New Rental Housing	12.8	0.0	0.0	12.8
Rental Opportunity for Ontario Families (ROOF)	0.0	18.5	0.0	18.5
Rent Supplements for Private Renters	0.0	58.1	0.0	58.1
<b>Total Private Renters Spending</b>	<b>479.2</b>	<b>83.3</b>	<b>0.0</b>	<b>562.5</b>
<b>GRAND TOTAL</b>	<b>6,583.4</b>	<b>1,651.8</b>	<b>697.1</b>	<b>8,932.3</b>

<sup>1</sup> 2009 data unless otherwise stated. Refers to calendar year, ending December 31, 2009 or 2008. For some programs, spending is recorded for the fiscal year ending March 31, 2008 or 2009 (i.e., 2007-2008).

Source: Appendix B

### **2.1.1 Total Subsidies to Private Renters and Homeowners, Ontario, 2009**

- The total housing spending and tax expenditures by the three levels of government in Ontario amounted to an estimated \$8.9 billion in 2009;
- Private homeowners were the recipient of the bulk of this assistance – \$8.4 billion or 93.7% of the total \$8.9 billion;
- Private renters received \$562.5 million, or 6.3% of the total;
- Three ongoing tax shelter provisions – the non-taxation of net imputed income, the non-taxation of capital gains from the sales of principal residences, as well as the exemption of imputed rents from GST taxation – are by far the largest contributors to subsidies to homeowners.

### **2.1.2 Subsidies by Level of Government**

- The federal government provides the largest component of the total subsidy dollars to private renters and homeowners, \$6.6 billion or 73.7%, followed by the Province of Ontario, \$1.7 billion or 18.5%, and municipalities, \$697 million or 7.8%;
- The preference given to private homeowners prevails for each level of government in Ontario;
- For the federal government, 93.0% of the combined expenditures of \$6.6 billion is for private owners;
- For the Ontario government, 95.0% of the combined expenditures of \$1.7 billion is for owners; and
- For municipalities, 100% of the private market subsidies benefitted homeowners.

## **2.2 HIGHLIGHTS – CANADA**

The housing subsidies by tenure for Canada encompass only federal government direct spending programs and tax expenditure provisions, in contrast to the Ontario analysis which included provincial and municipal subsidies. Figure 3 sums the individual ongoing expenditure estimates and tax expenditure provisions for the year 2009.

Figure 3

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**Estimated Housing Spending and Tax Expenditures by Tenure, Canada, 2009<sup>1</sup>**

	Canada Federal
	<i>Millions of Dollars</i>
<b>Private Homeowners</b>	
Homeownership Residential Rehabilitation Assistance Program (RRAP)	64.6
Senior Homeowners' Property Tax Grant	0.0
GST Rebates for New Ownership Housing	515.0
First-Time Homebuyers' Tax Credit	160.0
Non-Taxation of Imputed Net Rent	5,595.0
Non-Taxation of Capital Gains on Principal Residences	3,100.0
Preferential Property Tax Rates	0.0
Exemption of Imputed Rents from GST	3,381.4
Home Renovation Tax Credit	3,000.0
<b>Total Private Homeowners Spending</b>	<b>15,816.1</b>
<b>Private Renters</b>	
Rental Residential Rehabilitation Assistance Program (RRAP)	93.9
Exemption of Residential Rents from GST	1,120.0
GST/HST Rebate for New Rental Housing	50.0
<b>Total Private Renters Spending</b>	<b>1,263.9</b>
<b>GRAND TOTAL</b>	<b>17,080.0</b>

<sup>1</sup> Unless stated otherwise

Among the findings relating to federal subsidies at the national level are:

- Housing spending and tax expenditures by the federal government for Canada totalled to \$17.1 billion in 2009.
- Approximately 93% or \$15.8 billion of the expenditures benefitted homeowners;
- Renters received \$1.3 billion (or 7%) of the total; and
- Three ongoing tax expenditure provisions – non-taxation of net imputed rents, non-taxation of capital gains from the sale of principal residences, and the exemption of imputed rents from GST - account for the bulk of the subsidy preference to homeowners.
- These findings are essentially the same as the findings of the Dowler analysis in 1983.

## 2.3 SOCIAL HOUSING

Social housing spending is not the focus of this study since it is not private market housing. However, given the importance of social housing in the direct housing spending of governments, social housing has been included in

this report as background. Figure 4 sums the spending on the various programs documented in Appendix B.

Figure 4

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**Estimated Total Spending for Social Housing, 2008/2009**

<u>Ontario</u>	Total Spending	
	<i>\$ Millions</i>	%
Federal	737.4	34.5
Ontario	679.6	31.8
Municipal	<u>720.5</u>	<u>33.7</u>
Total	2,137.5	100.0
 <u>Canada</u>		
Federal	1,995.6	

Source: Appendix B

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For Ontario, the total spending on social housing in 2008 and 2009 was an estimated \$2.1 billion. The spending shares by level of government were 34.5% for the federal government, 31.8% for the provincial government and 33.7% for municipal governments.

For Canada, the total spending on social housing in 2008 and 2009 by the federal government was about \$2 billion.

## 2.4 CONCLUSIONS

The following conclusions emerge from a review of the subsidy estimates summarized above:

- Housing subsidies in Ontario and Canada encompassing both direct spending programs and tax expenditure provisions massively favour private homeowners over private renters; and
- This favouritism to homeowners occurs even though private renters on average have household incomes about one-half the average income of homeowners.

## **APPENDIX A: DESCRIPTION OF HOUSING SPENDING PROGRAMS AND TAX EXPENDITURE PROVISIONS**

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This appendix describes the individual housing spending programs and tax expenditure provisions considered in this analysis. The programs are organized by tenure, type and level of government:

- By tenure
  - Private homeowners
  - Private renters
  - Private non tenure specific
  - Social housing occupants
- By type
  - Direct spending
  - Tax expenditure
- By level of government
  - Federal
  - Provincial (Ontario)
  - Municipal (in Ontario)

Figure A- 1 provides an overview of the spending programs and tax expenditures. Several of the incentives are in the domain of more than a single level of government.

**Figure A-1 Listing of Direct Spending Programs and Tax Expenditure Provisions by Tenure and Level of Government**

	Type of Program		Level of Government		
	Direct Spending	Tax Expenditure	Federal	Ontario	Ontario Municipalities
<b>Private Homeowners</b>					
Homeowner Residential Rehabilitation Assistance Program (RRAP)	x		x		
Senior Homeowners' Property Tax Grant	x			x	
GST Rebates for New Ownership Housing		x	x		
First-Time Homebuyers' Tax Credit		x	x	x	
Home Renovation Tax Credit		x	x		
Non-Taxation of Net Imputed Rent		x	x	x	
Non-Taxation of Capital Gains on Principal Residences		x	x	x	
Preferential Property Tax Rates		x			x
Exemption of Imputed Rents from GST		x	x		
<b>Private Renters</b>					
Rental Residential Rehabilitation Assistance Program (RRAP)	x		x		
Exemption of Residential Rents from GST		x	x		
GST Rebate for New Rental Housing		x	x		
Rental Opportunity for Ontario Families (ROOF)	x			x	
Rent Supplement Programs for Private Renters	x			x	
<b>Private Non-Tenure Specific</b>					
ecoENERGY Retrofit	x		x		
Ontario Home Energy Retrofit Program	x			x	
Ontario Property and Sales Tax Credits (OTCs)		x		x	
<b>Social Housing Occupants</b>					
Contributions for Existing Social Housing Programs in Place Prior to 1996	x		x		
Canada-Ontario Affordable Housing Program	x		x	x	
CMHC-Administered Social Housing Programs	x		x		
Affordable Housing Trusts	x		x		
Provincial Expenditures on Housing	x			x	
Total Municipal Expenditures on Rental Housing	x				x

Source: Altus Group Economic Consulting

## **A1 PRIVATE HOMEOWNERS**

### **A1.1 Direct Spending**

#### ***A1.1.1 Homeowner Residential Rehabilitation Assistance Program (RRAP)<sup>viii</sup> – Federal and Ontario***

- Ongoing program
- Financial assistance through CMHC to low-income homeowners for mandatory home repairs that will preserve quality of affordable housing.
- Home must be valued below certain amount, be at least 5 years old, be substandard and be in need of substantial repairs.
- Fully forgivable loan if owner continues to live in home for 5 years after repairs – maximum of \$16,000 in southern areas of Canada.

#### ***A1.1.2 Senior Homeowners' Property Tax Grant<sup>ix</sup> - Ontario***

- Ongoing
- Annual amount provided to help offset property taxes for home-owning seniors with low to middle incomes.
- Maximum grant per eligible homeowner in 2009 was \$250 with an increase to \$500 in 2010.

### **A1.2 Tax Expenditures**

#### ***A1.2.1 GST Rebates for New Ownership Housing - Federal***

- Newly-built homes sold to owner-occupants are not subject to the full 5% rate of the GST unless the homes are priced at more than \$450,000.
- The rebate reduces the GST from 5% to 3.5% for homes valued at \$350,000 or less.
- The rebate declines for homes valued between \$350,001 and \$450,000 and is nil for new homes prices above \$450,000.

#### ***A1.2.2 First-Time Homebuyers' Tax Credit<sup>x</sup> - Federal***

- Introduced in Federal Budget 2009.
- Non-refundable 15% tax credit based on an amount of \$5,000 for first-time homebuyers who acquire a qualifying home after January 27, 2009.
- Maximum tax relief of \$750.



### ***A1.2.3 Home Renovation Tax Credit<sup>vi</sup> - Federal***

- Introduced in Budget 2009
- One-time program for homeowners from January 27, 2009 to February 1, 2010
- 15% income tax credit on eligible home renovation expenditures for work performed, or goods acquired.
- Credit may be claimed in 2009 taxation year on portion of eligible expenditures exceeding \$1,000 but not more than \$10,000.
- Provides up to \$1,350 in a non-refundable tax credit per home.

### ***A1.2.4 Non-Taxation of Net Imputed Rent – Federal and Ontario***

- Ongoing
- In economic terms, homeowners receive a flow of housing services from their homes equal in value to the rent the home could earn on the rental market. Subtracting the costs of earning this gross imputed rent – mortgage interest, property taxes, repairs, insurance, depreciation, etc. – results in the net imputed rent for homeowners. This net imputed income is not taxed under the income tax regime unlike net rental income earned by the owners of rental residential properties.
- For non-economists, the following description of net imputed rental income provided by the Congressional Budget Office of the U.S. Congress may be of assistance:

Federal law does not require that taxpayers include as taxable income the net value (after expenses) of the services they receive from their homes. Such income would be taxed as ordinary income if the units were rented out, with a full deduction allowed for taxes, interest, insurance, maintenance, and depreciation; most economists contend that the appropriate tax treatment of owner-occupied homes should be the same. Thus, under a comprehensive income tax, the net imputed rental income from owning a home—what a homeowner would receive by renting it out, less the costs of ownership, taxes, depreciation, and maintenance—would be taxed as ordinary income.

Non-economists have difficulty recognizing that net imputed rental income is, in fact, income, because it comes in the form of services rather than cash. In principle, homeowners could convert the value of these services to cash either by renting out their homes or by selling them and investing the proceeds in cash-yielding assets such as bonds or common stock. But these activities would only make the income

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from homeownership more tangible; they would not actually create new income.<sup>xii</sup>

- Net imputed rent amount in Canada was an estimated \$39.2 billion in 2009, according to Statistics Canada<sup>xiii</sup>.

#### ***A1.2.5 Non-Taxation of Capital Gains on Principal Residences – Federal and Ontario***

- Ongoing
- Capital gains realized on the sale of a principal residence are non-taxable under the income tax regime in Canada. In comparison, 50% of capital gains from other investments (e.g., equities) realized in a year are taxed at income tax rates.

#### ***A1.2.6 Preferential Property Tax Rates - Municipal***

- Ongoing
- Rental residential properties are taxed at a higher tax rate under the real property tax by most municipalities in Ontario. The disparity in rates is largest for big cities like Toronto.
- Rental housing refers to residential properties with 7 or more units that are not registered as condominiums, as determined by the Municipal Property Assessment Corporation.
- This higher taxation of rental properties creates a tax expenditure that favours homeowners over renters. Homeowners pay property taxes directly; renters pay property taxes through their rent.

## **A2 PRIVATE RENTERS**

### **A2.1 Direct Spending**

#### ***A2.1.1 Rental Residential Rehabilitation Assistance Program (RRAP)<sup>xiv</sup> - Federal***

- Began in 1973 (ongoing)
- Financial assistance to pay for mandatory repairs to self-contained units occupied by low-income tenants.
- Owners of affordable rental housing units may apply.
- Owner will enter into agreement that places a ceiling on rents that he/she may charge after repairs are completed and limits rent increases during term of agreement.

- Owners also have to agree to limit new occupancy to low-income tenants.
- Eligible repairs include mandatory repairs required to bring property up to minimum levels of health and safety and should extend useful life of dwelling for at least 15 years.
- Maximum amount of loan in southern areas of Canada - \$24,000 per unit.

#### ***A2.1.2 Rental Opportunity for Ontario Families (ROOF)<sup>xv</sup> – Provincial***

- Five year program (2008-2013) from Province
- Province obtained funding for this program through the Affordable Housing Trust.
- Provides housing allowances to tenants in private rental housing to help pay rent.
- Renters must be working, have a family earned income of at least \$5,000, an Adjusted Family Net Income below \$20,000, at least one dependent under age of 18, be paying more than 30% of income towards rent, have less than \$10,000 in liquid assets, and not be receiving any other social assistance or subsidy.
- Provides assistance of \$100/month.

#### ***A2.1.3 Rent Supplements for Private Renters – Provincial***

- Rent supplements are subsidies that are paid directly to the landlords in private non-profit, co-operative, and privately owned buildings in an effort to bridge gap between the monthly market rent charged for a unit and the amount of rent that a household can pay based on its income.
- As of the 2008/09 fiscal year, there were three main rent supplement programs carried out by the Province of Ontario to assist private renters – the Housing Allowance/Rent Supplement Program (HARS), the Strong Communities Rent Supplement Program (SCRSP), and the Toronto Pilot Rent Supplement Program.

### **A2.2 Tax Expenditures**

#### ***A2.2.1 Exemption of Residential Rents from GST – Federal***

- Ongoing
- The GST exempts residential rents from taxation so renters do not pay GST on their monthly rent. Landlords pay GST on their purchases of

goods and services but, unlike other businesses, cannot get credits for the taxes they pay.

- Landlords consider their GST payments as expenses to be included in the rents they charge, though rent controls interfere with the shifting of all these GST taxes paid in Ontario.

#### ***A2.2.2 GST Rebate for New Rental Housing – Federal***

- Ongoing
- Since 2000, the federal government has provided the same rebate to newly built rental housing as it does for ownership housing under the GST. The terms of the homeowner rebate are described in Section A 1.2.1.

### **A3 HOUSING SUBSIDIES NOT TENURE SPECIFIC**

These programs and provisions are not examined in the empirical analysis since they are available to both homeowners and renters. That being said, most of the spending under these programs is for ownership housing.

#### **A3.1 Direct Expenditures**

##### ***A3.1.1 ecoENERGY Retrofit<sup>xvi</sup> -Federal***

- A 4-year program introduced in April 2007.
- Provides home and property owners with grants of up to \$5,000 per dwelling unit to offset the costs of making energy-efficient improvements to existing homes – no multiple units residential building can receive more than \$500,000.
- Eligible candidates include owners of single-detached and semi-detached homes and most low-rise multiple buildings that are not more than 3 storeys high.

##### ***A3.1.2 Ontario Home Energy Retrofit Program – Ontario***

- The Ontario Home Energy Retrofit Program was launched in June 2007 by the Province of Ontario
- Ongoing program
- Provides rebate of up to \$5,000 for improvements to a home to make it more energy efficient

- Matches federal ecoENERGY Retrofit program rebate (for those who applied for the federal program audit before March 31, 2010). The provincial program still applies to those who applied after March 31, 2010 even though they may no longer be eligible for the federal rebate.

### **A3.2 Tax Expenditures**

#### ***A3.2.1 Ontario Property and Sales Tax Credits (OTCs)<sup>xvii</sup> – Ontario***

- Ongoing
- The refundable property tax credit provides assistance for people with low to moderate incomes who own or rent a principal residence in Ontario.
- The basis property tax credit for individuals under the age of 65 is \$250 and for individuals age 65 or over is \$625.

## **A4 SOCIAL HOUSING OCCUPANTS**

### **A4.1 Direct Expenditures**

#### ***A4.1.1 Contributions for Existing Social Housing Programs in Place Prior to 1996 – Federal***

- Ongoing
- In 1996, the federal government began to negotiate agreements with various provinces and territories to transfer the administration of social housing (with the exception of on-reserve Aboriginal housing).
- As part of the agreements, the federal government continues to fund existing social programs (per the original agreements) and transferred the funds to the provinces in order to streamline the administration process.
- Transferred programs include rental assistance programs, funding for cooperatives, and non-profit housing programs.

#### ***A4.1.2 Canada-Ontario Affordable Housing Program – Federal and Ontario***

- Ongoing
- Provides grants for the creation of affordable rental housing in Ontario by private and not-for-profit organizations.

- Eligible projects can receive up to \$25,000 from CMHC and \$25,000 from other levels of government.
- For specific target groups, funding increases to a total of \$150,000 per unit.

#### ***A4.1.3 CMHC-Administered Social Housing Programs- Federal***

- A substantial number of programs have been transferred from CMHC down to the provinces and territories for administration. The only provinces that have yet to negotiate agreements are Quebec, Alberta, and Prince Edward Island. The largest shares of funding under CMHC-Administered Social Housing Programs, therefore, are for these provinces.
- In Ontario, the federal spending here pertains largely to rent assistance and cooperatives.

#### ***A4.1.4 Affordable Housing Trusts***

- In 2006, the Conservative Parliament passed Bill C-48, which enabled the creation of three “Housing Trusts” – the Affordable Housing Trust, the Northern Housing Trust, and the Off-Reserve Aboriginal Housing Trusts.
- These Trusts were one-time payments meant to ease pressures related to the provision of social housing in the country.
- \$800 million was allocated to affordable housing, with funding split on an equal per capita basis;
- \$300 million was allocated for northern housing in each of the three territories; and
- \$300 million was earmarked for off-reserve Aboriginal housing, with funding allocated to provinces depending on their share of Aboriginal population.
- All funding was allocated over a three-year period, ending in March 2009.

#### ***A4.1.5 Provincial Expenditures for Social Housing – Ontario***

- Despite funding obtained from the federal government for various social housing programs, the Province of Ontario still has to honour the original cost-sharing agreements with the federal government.

- Depending on the specific program agreements, Ontario may have to contribute a certain percentage of total program funding annually.
- Expenditures at the provincial level include payments to third-party service managers, contributions to the Affordable Housing Program, housing allowance payments, funding towards rural and native housing programs, as well as payments to the Ontario Housing Corporation.

#### *A4.1.6 Municipal Expenditures for Rental Housing*

- Municipalities often deliver and fund a portion of social housing programs in Canada. In Ontario, this responsibility was downloaded from the provincial government some years ago.
- Municipal funding includes only funds coming from municipal sources and excludes contributions from the federal and provincial governments.

## APPENDIX B: DETAILED CALCULATIONS OF HOUSING SUBSIDIES FOR INDIVIDUAL HOUSING SPENDING PROGRAMS AND TAX EXPENDITURE PROVISIONS

This chapter provides annual spending estimates for each of the housing spending programs and tax expenditure provisions considered in this analysis. A description of the sources and estimating procedures is also provided. As noted previously, the subsidies tagged as private non-tenure specific are excluded from the dollar estimates by tenure.

### B1 PRIVATE HOMEOWNERS

#### B1.1 Direct Spending

##### B1.1.1 Homeowner Residential Rehabilitation Assistance Program (RRAP)

Figure B-1

Expenditure for Homeowner RRAP Program, 2008				
Ontario				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
9.8	2.9	0.0	12.8	64.6

- At the Canada level, we estimate that a total of \$64.6 million was provided for the homeownership component of the RRAP program by the federal government in 2008 (taken from Table 53 in the *2008 CHS – Public Funds and National Housing Act*, CMHC).
- Total spending under the Residential RRAP program for homeowners was \$12.8 million in Ontario (taken from Table 53 in the *2008 CHS – Public Funds and National Housing Act*, CMHC).
- The \$12.8 million in Ontario takes into account spending at the two senior levels of government.
- We estimate that approximately \$9.8 million was funded by the federal government through CMHC, while the other \$2.9 million was allocated by the Ontario government.
- We had to estimate these dollar figures as CMHC does not publish RRAP program spending by level of government and by tenure. The estimating procedure is described in Figure B- 2 and in the bullets that follow.



- Per the 2008 *CHS – Public Funds and National Housing Act (Social Housing)* from CMHC that was released in July 2009, total spending on renovation programs (for owners and renters) in Canada (by federal and provincial governments) was \$158.5 million in 2008.
- Total spending on renovation programs in Canada by CMHC in 2008 was \$121.9 million (76.9% of total spending by federal and provincial governments)<sup>xviii</sup>. The difference of \$36.6 million (23.1%) is presumed to be provincial spending.
- The federal/provincial percentage for Canada is then applied to the total amount of funding received for the Homeowner RRAP Program in Ontario in 2008 - \$12.7 million – to estimate federal and Ontario government spending, respectively.

Figure B- 2

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**Calculation of Ontario RRAP Expenditure for Homeowners**

	<u>Expenditure</u> \$ Millions
<b>Spending on Renovation Programs in Canada by All Levels of Government<sup>1</sup></b>	<b>158.5</b>
<b>Total Renovation Program Spending in Canada by CMHC (Federal)<sup>2</sup></b>	<b>121.9</b>
Off Reserve	101.2
On Reserve	20.7
<i>Percent of Total Spending in Canada (%)</i>	<i>76.9</i>
<b>Provincial Share of Funding for Renovation Programs<sup>3</sup></b>	<b>36.6</b>
<i>Percent of Total Spending in Canada (%)</i>	<i>23.1</i>
<b>Total Funding in Ontario for Homeownership RRAP Program<sup>4</sup></b>	<b>12.8</b>
<b>Federal Share of Ontario Funding for Homeownership RRAP Program</b>	<b>9.8</b>
<b>Provincial Share of Ontario Funding for Homeownership RRAP Program</b>	<b>2.9</b>

<sup>1</sup> Taken from Table 53 of the 2008 *CHS - Public Funds and National Housing Act (Social Housing)*, CMHC.

<sup>2</sup> Taken from Table 51 of the 2008 *CHS - Public Funds and National Housing Act (Social Housing)*, CMHC.

<sup>3</sup> Derived by subtracting CMHC (federal) funding for renovation program (\$121.9 million) from total funding on renovation programs in Canada by all levels of government (\$158.5 million).

<sup>4</sup> Taken from Table 53 of the 2008 *CHS - Public Funds and National Housing Act (Social Housing)*, CMHC.

Source: Altus Group Economic Consulting based on data from CMHC

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### B1.1.2 Senior Homeowners' Property Tax Grant

Figure B- 3

#### Expenditure for the Senior Homeowners' Property Tax Grant, 2009

Ontario			
Federal	Ontario	Municipal	Total
<i>Millions of Dollars</i>			
0.0	120.0	0.0	120.0

- The 2008 Ontario Budget estimated a net benefit of \$120 million in the first year (2009) of the Senior Homeowners' Property Tax Grant program<sup>xix</sup>.
- Based on projections in the 2008 Ontario Budget, approximately 550,000 seniors (individuals and couples) benefitted from this program in 2009.

## B1.2 Tax Expenditures

### B1.2.1 GST Rebates for New Ownership Housing

Figure B- 4

#### Tax Expenditure for GST Rebates for New Ownership Housing, 2009

Ontario				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
170.1	0.0	0.0	170.1	515.0

- Federal expenditure for this program amounted to an estimated \$515 million in Canada in 2009 (taken from Department of Finance's *Tax Expenditures and Evaluations 2009*).
- To estimate Ontario's share of this tax expenditure, Ontario's share of Canada's ownership completions (including condominium units) in 2009 (33%) was applied to the federal expenditure amount<sup>xx</sup>. The tax expenditure received by Ontario new homebuyers in 2009 is an estimated \$170.1 million.

### B1.2.2 Exemption of Net Imputed Rents from GST

Figure B- 5

#### Expenditure for the Exemption of Net Imputed Rental Income from GST Taxation, 2009

Ontario				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
1,240.6	0.0	0.0	1,240.6	3,381

- In 2009, benefits resulting from the exemption of net imputed rents from GST taxation amounted to \$3.4 billion in Canada.
- The figure was derived by calculating the ratio of the 2009 federal GST exemption on residential rent (\$1.12 billion – obtained from the Department of Finance's *Tax Expenditures and Evaluations 2009*) to the 2009 gross paid rent figure (\$43.149 billion – obtained from Table 16 of the Statistics Canada's *National Accounts*, released January 2010) – 2.6%.
- The ratio was then applied to the 2009 gross imputed income of homeowners (\$130.683 billion – taken from Statistics Canada's *National Accounts*), resulting in \$3.381 billion in federal expenditures.
- To calculate the Ontario share of the federal expenditure, the share of owner households in Ontario to Canada (36.7%) was applied to the federal expenditure amount. The Ontario share of federal expenditures is therefore estimated to be roughly \$1.2 billion.

### B1.2.3 First-Time Homebuyers' Tax Credit

Figure B- 6

#### Tax Expenditure for First-Time Homebuyers' Tax Credit, 2009

Ontario				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
67.4	0.0	0.0	67.4	160.0

- Total benefits in Canada in 2009 amounted to an estimated \$160 million (taken from *Department of Finances' Tax Expenditures and Evaluations 2009*).
- Ontario's share of resale home sales (residential sales through the Multiple Listing Service) in Canada in 2009 (42.1%)<sup>xxi</sup> is used to calculate the share of the total tax expenditure accruing to Ontario. Ontario's share of the First-Time Homebuyers' Tax Credit tax expenditure is estimated to be \$67.4 million in 2009.

### B1.2.4 Home Renovation Tax Credit

Figure B- 7

#### Tax Expenditure for the Home Renovation Tax Credit, 2009

Ontario				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
1,263.0	0.0	0.0	1,263.0	3,000.0

- Total federal benefits for the Home Renovation Tax Credit program in Canada amounted to an estimated \$3 billion in 2009 (taken from page 18 of Department of Finance's *Tax Expenditures and Evaluations 2009*).
- The Ontario share of this expenditure is estimated by applying the Ontario's share of resale home sales in Canada in 2009 (42.1%) to the tax expenditure amount for Canada. The Ontario share of the tax expenditure for the Home Renovation Tax Credit program is estimated at \$1.263 billion in 2009.

### B1.2.5 Non-Taxation of Net Imputed Rent

Figure B- 8

#### Tax Expenditure for Non-Taxation of Imputed Net Rent, 2009

Ontario				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
2,052.8	877.2	0.0	2,930.0	5,595.0

- Total net imputed rent of homeowners in Canada in 2009 is an estimated \$39.245 billion (taken from Statistics Canada, *Net Income of Unincorporated Businesses, National Accounts*).
- To calculate the foregone taxes payable by homeowners, the average tax rates for federal and Ontario government personal income taxes have to be applied to the total net imputed rental income.
- The average tax rate for combined federal and provincial personal income taxes for Ontario residents is derived from the 2008 *Survey of Household Expenditure* conducted by Statistics Canada. Average personal tax for homeowners in 2008 is \$18,901 and average income of home-owning households is \$92,885 for an average tax rate of 20.3%.
- The combined tax rate is split 70%/30% between the federal and Ontario governments based on applying the 2008 federal and provincial tax rates

to the 2008 average homeowner income of \$92,885. From this, the resulting average tax rates are 14.3% for the federal government and 6.1% for the Ontario government.

- By applying the 14.3% federal tax rate to the federal net imputed rent figure, the federal expenditure related to the non-taxation of net imputed rent is estimated to be approximately \$5.6 billion.
- The Ontario share of net imputed rent is not available from Statistics Canada so it is estimated. This is done by applying Ontario's share of total ownership dwellings in Canada (36.7% per the 2008 *Survey of Household Spending*) to the federal net imputed rent amount (\$39,245 million). This gives us a provincial net imputed rent estimate of \$14,403 million.
- The federal tax expenditure in Ontario is estimated at approximately \$2.1 billion in 2009 based on applying a federal tax rate of 14.3% to Ontario's share of net imputed rent (\$14.4 billion).
- The Ontario tax rate of 6.1% is then applied to this provincial share of net imputed rent, which results in an estimated tax expenditure of \$877 million in 2009.

### B1.2.6 Non-Taxation of Capital Gains on Principal Residences

Figure B- 9

<b>Tax Expenditure for the Non-Taxation of Capital Gains on Principal Residences, 2009</b>				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
1,300.5	568.3	0.0	1,868.8	3,100.0

- Total federal tax expenditures across Canada from the non-taxation of capital gains on principal residences amounted to \$3.1 billion in 2009 (partial inclusion rate taken from page 18 of *Department of Finance, Tax Expenditures and Evaluations 2009*).
- To calculate Ontario's share of the federal expenditure, Ontario's share of resale home sales (Multiple Listing Service sales) in 2009 (42.1%) was applied to the Canada total, arriving at \$1.3 billion.
- A published estimate of Ontario tax expenditure for the non-taxation of capital gains from the sale of principal residences is not available from the Ontario government<sup>xxii</sup>. To estimate the provincial tax expenditure,

Ontario's share of the federal average income tax (43.7%) is applied to Ontario's share of the federal expenditure (\$1.3 billion). This gives us an Ontario expenditure estimate of \$570 million in 2009.

### B1.2.7 Preferential Property Tax Rates

Figure B- 10

#### Tax Expenditure for the Preferential Property Tax Rates, 2008

Ontario			
Federal	Ontario	Municipal	Total
<i>Millions of Dollars</i>			
0.0	0.0	697.1	697.1

- Many municipalities in Ontario tax rental multi-residential housing at a higher tax rate than ownership housing. Our estimate is that rental properties are taxed at some \$697 million more than the case if the homeowner property tax rate had been applied to rental housing
- Municipal tax information for municipalities in Ontario for 2008 was taken from the Ministry of Municipal Affairs and Housing's *Financial Information Return (FIR)* page.

## B2 PRIVATE RENTERS

### B2.1 Direct Spending

#### B2.1.1 Rental Residential Rehabilitation Assistance Program (RRAP)

Figure B- 11

#### Expenditure for Rental RRAP Program, 2008

Ontario				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
22.1	6.7	0.0	28.8	93.9

- In 2008, total spending under the Residential RRAP program for renters was an estimated \$28.8 million in Ontario<sup>xxiii</sup>.
- Similar to the homeowner component of this program, the \$28.8 million accounts for Ontario funding from two levels of government. As funding allocations are not available for each individual level of government, an estimate is made.
- By applying the share between federal and provincial funding derived in section B1.1.1 (76.9% at the federal level and 23.1% at the provincial

level), we estimate that approximately \$22.1 million was funded by the federal government while the remaining \$6.7 million was provided at the provincial level for Ontario in 2008.

- For Canada as a whole, a total of \$93.9 million was spent for the rental component of the RRAP program by the federal government in 2008<sup>xxiv</sup>.

### B2.1.2 Rental Opportunity for Ontario Families (ROOF)

Figure B-12

#### Expenditure for the Rental Opportunity for Ontario Families (ROOF) Program, 2008/2009

Ontario			
Federal	Ontario	Municipal	Total
<i>Millions of Dollars</i>			
0.0	18.5	0.0	18.5

- Per the 2008/2009 Ministry of Municipal Affairs and Housing Public Accounts statements, the province spent \$18.5 million on the Rental Opportunity for Ontario Families (ROOF) program.
- It must be noted here that the funds for this provincially-administered program were provided to the province from the federal government, through the Affordable Housing Trust (see Section B3.1.4). \$18.5 million has been removed from the Affordable Housing Trust expenditure estimate to account for this.

### B2.1.3 Rent Supplements for Private Renters

Figure B-13

#### Estimated Expenditures on Provincial Rent Programs

Ontario			
Federal	Ontario	Municipal	Total
<i>Millions of Dollars</i>			
0.0	58.1	0.0	58.1

- Per information obtained from the Ministry of Municipal Affairs and Housing, approximately \$58.1 million was provided by the provincial government to fund three main rent supplement programs in the 2008/2009 fiscal year.
- \$7.4 million was spent on the Housing Allowance/Rent Supplement Program (HARS);
- \$50 million was spent on the Strong Communities Rent Supplement Program (SCRSP); and

- \$720,000 was spent on the Toronto Pilot Rent Supplement Program.

## B2.2 Tax Expenditures

### B2.2.1 Exemption of Residential Rents from GST

Figure B- 14

Ontario				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
444.3	0.0	0.0	444.3	1,120.0

- In 2009, total federal expenditures stemming from the exemption of residential rents from GST was an estimated \$1.12 billion (taken from Department of Finance's *Tax Expenditures and Evaluations 2009*).
- To calculate the Ontario share of the federal expenditure, an estimate had to be made. Total rental payments in Ontario (\$15.2 billion in 2009) were divided by total rental payments in Canada (\$38.4 billion in 2009)<sup>xv</sup> to produce a 39.7% share of Ontario to Canada.
- This share was applied to the federal expenditure of \$1.1 billion to obtain Ontario's share of the foregone revenue (\$444.3 million).

### B2.2.2 GST/HST Rebate for New Rental Housing

Figure B- 15

Ontario				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
12.8	0.0	0.0	12.8	50.0

- Total federal expenditures amounted to \$50 million in 2009 (taken from *Department of Finance's Tax Expenditures and Evaluations 2009*).
- To derive the Ontario share of federal expenditures for the GST/HST Rebate for New Rental Housing in 2009, Ontario's share of total rental housing starts in Canada for 2009 (25.7%) was applied to the federal amount. This gives us an estimate of \$12.8 million.

## B3 SOCIAL HOUSING OCCUPANTS

### B3.1 Direct Spending



### B3.1.1 Contributions for Existing Social Housing Programs in Place Prior to 1996

Figure B- 16 **Contributions to Social Housing in Place Prior to 1996, 2008<sup>1</sup>**

Ontario				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
519.2	0.0	0.0	519.2	1,066.5

<sup>1</sup> For the fiscal year ending March 31, 2008. 2009 CMHC *Canadian Housing Statistics* report not available at writing of this report.

- In 2008, the Government of Canada transferred approximately \$1.1 billion to provinces and territories for the administration of social housing programs in place prior to 1996 (excluding on-reserve Aboriginal housing programs - taken from Table 51 of CMHC's 2008 *CHS – Public Funds and National Housing Act* report).
- Ontario's share of the federal transfers amounted to \$519.2 million in 2008 (taken from Table 51 of CMHC's 2008 *CHS – Public Funds and National Housing Act* report).

### B3.1.2 Affordable Housing Programs

Figure B- 17 **Affordable Housing Programs, 2008<sup>1</sup>**

Ontario				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
84.8	70.4	14.4	169.6	118.0

<sup>1</sup> For the fiscal year ending March 31, 2008. 2009 CMHC *Canadian Housing Statistics* report not available at writing of this report.

- In 2008, the Government of Canada contributed \$118 million to affordable housing programs in Canada (taken from Table 51 of CMHC's 2008 *CHS – Public Funds and National Housing Act* report).
- Ontario's share of the federal expenditure was approximately \$84.8 million and went towards the Canada-Ontario Affordable Housing Program<sup>xxvi</sup>.
- As part of the Canada-Ontario Affordable Housing Program, the Province of Ontario and local municipalities have to match the contributions made to the Program by the federal government.

- In order to derive the amounts contributed by the Province of Ontario as well as Ontario municipalities, data from the *CMHC-Ontario Affordable Housing Program Agreement (2003)* was used.
- Under the 2003 Agreement, a total of \$289 million in planned contributions is to be provided by both the provincial government and Ontario municipalities throughout the entire duration of the Program.
- Of the \$289 million, approximately 83% (or \$250 million) is expected to be funded by the Ontario government, while the remaining 17% (or \$51 million) is to be provided by municipal governments.
- Assuming that the provincial and municipal governments matched the 2008 level of funding provided by the federal government, the 83/17 share is applied to the \$84 million – thus resulting in contributions of \$70.4 million at the provincial level and \$14.4 million at the municipal level.

### B3.1.3 CMHC-Administered Social Housing Programs

Figure B- 18

<b>CMHC-Administered Social Housing Programs, 2008<sup>1</sup></b>				
Ontario				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
73.6	0.0	0.0	73.6	611.1

<sup>1</sup> For the fiscal year ending March 31, 2008. 2009 CMHC *Canadian Housing Statistics* report not available at writing of this report.

- In 2008, the Government of Canada spent \$611 million on social housing programs administered through the Canadian Housing and Mortgage Corporation (CMHC) (taken from Table 51 of CMHC's 2008 *CHS – Public Funds and National Housing Act* report).
- Of the \$611 million, \$73.6 million was spent in Ontario. As noted previously, the relatively small share to Ontario is explained by the fact that the majority of federal social housing programs after 1996 were transferred to the province for administration.

### B3.1.4 Affordable Housing Trust

Figure B- 19 **Affordable Housing Trust, 2009<sup>1</sup>**

Ontario				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
59.8	0.0	0.0	59.8	200.0

<sup>1</sup> For the fiscal year ending March 31, 2009

- As per the Department of Finance<sup>xxvii</sup>, which provided federal and provincial estimates, \$200 million was estimated to be spent in the 2008-09 fiscal year in Canada.
- The Ontario share of this federal expenditure is \$78.3 million in 2008-09.
- As noted in Section B2.1.2, the Rental Opportunity for Ontario Families (ROOF) program is funded by the Affordable Housing Trust<sup>xxviii</sup>. Since this program assists private renters, the \$18.5 million spent in 2008/2009 has been deducted from the \$78.3 million, thereby resulting in an Ontario share of \$59.8 million.

### B3.1.5 Provincial Expenditures for Social Housing

Figure B- 20 **Provincial Expenditures for Social Housing, 2008**

Ontario				Canada
Federal	Ontario	Municipal	Total	Federal
<i>Millions of Dollars</i>				
0.0	609.2	0.0	609.2	0.0

<sup>1</sup> For the fiscal year ending March 31, 2008

- Despite transferring funding and the responsibility of administration to the provinces and territories, provinces and territories still have to honour the original cost sharing agreements with the federal government.
- Per Ontario's 2008-2009 *Public Accounts*<sup>xxix</sup>, approximately \$473 million was transferred by the Government of Ontario to municipalities, non-profit, and co-op groups.
- As part of a cost-sharing agreement, Ontario has to contribute a portion of the costs for the Affordable Housing Programs. As per the 2008-2009 *Ontario Public Accounts*, the Ministry of Municipal Affairs and Housing

spent approximately \$7.6 million on Housing Allowance Payments and the Affordable Housing Program.

- The Province of Ontario contributed an additional \$128.5 million (as per the 2008-2009 *Ontario Public Accounts*) for Rural and Native Housing Programs as well as Payments to the Ontario Housing Corporation.
- Total provincial expenditures for social housing, therefore, amount to \$609 million.

### B3.1.6 Municipal Expenditures for Rental Housing

Figure B- 21

#### Municipal Expenditures on Housing Programs, 2008

Federal	Ontario		Total
	Ontario	Municipal	
<i>Millions of Dollars</i>			
0.0	0.0	706.1	706.1

- Per the 2008 Ontario Financial Information Returns (FIR), a net of approximately \$706 million was spent on social housing programs at the municipal level.
- Total social housing expenditures amounted to \$2.025 billion<sup>xxx</sup>.
- Revenues – in the form of conditional grants provided by the provincial and federal governments, transfers from municipal capital and reserve funds, revenue from other municipalities, as well as user fees and service charges (including rents paid by social housing tenants) – were deducted from the gross expenditure amount. Total revenue amounted to \$1.319 billion in 2008.

## ENDNOTES

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<sup>i</sup> [Email:] John Stapleton. "Housing benefit expenditures." Vince Brescia. July 20, 2010.

<sup>ii</sup> Even here there can be problems determining total spending. All spending may be incorporated in a government's books if it is undertaken by an agency or a crown corporation. Treating capital expenditures and current expenditures properly can be troublesome too.

<sup>iii</sup> Zhicheng Li Swift, *Managing the Effects of Tax Expenditures on National Budgets*, World Bank Policy Research Working Paper 3927, May 2006, p. 3.

<sup>iv</sup> Robert G. Dowler, *Housing-Related Tax Expenditures: An Overview and Evaluation*, Centre for Urban and Community Studies, University of Toronto, February 1983.

<sup>v</sup> If housing spending that is not tenure specific is excluded, the ownership share rises to about 90%.

<sup>vi</sup> *Ontario Rental Market Dynamics*, Table 3, downloaded from Ministry of Municipal Affairs and Housing web page, June 16, 2010.

<sup>vii</sup> Data is for 2009 unless otherwise stated. Some figures are for 2008.

<sup>viii</sup> Program details taken from Canada Mortgage and Housing Corporation, *Homeowner Residential Rehabilitation Assistance Program – Homeowner RRAP*, downloaded from CMHC website on June 1, 2010.

<sup>ix</sup> Program details retrieved from Ontario Ministry of Revenue, *Income Tax Related Programs – Senior Homeowners' Property Tax Grant*, downloaded from Province of Ontario website on June 1, 2010

<sup>x</sup> Program details taken from Canada Revenue Agency, *First-Time Home Buyers' Tax Credit (HBTC)*, downloaded from CRA website on May 19, 2010.

<sup>xi</sup> Program details taken from Canada Revenue Agency, *Home Renovation Tax Credit (HRTC)*, downloaded from CRA website on May 21, 2010.

<sup>xii</sup> Congress of the United States Congressional Budget Office, *The Tax Treatment of Homeownership: Issues and Options*, September 1981

<sup>xiii</sup> Statistics Canada, *Net Income of Unincorporated Businesses, National Accounts*

<sup>xiv</sup> Details of program taken from Canada Mortgage and Housing Corporation, *Rental Residential Rehabilitation Program – Rental RRAP*, downloaded from CMHC website on June 1, 2010.

<sup>xv</sup> Program details retrieved from Ontario Ministry of Municipal Affairs and Housing, *Rental Opportunity for Ontario Families (ROOF)*, downloaded from Province of Ontario website on June 1, 2010.

<sup>xvi</sup> Program details taken from Natural Resources Canada, *ecoENERGY Retrofit – Homes*, downloaded from Natural Resources Canada website on June 1, 2010.

<sup>xvii</sup> Program details taken from Tax Advisory Services Branch, *Property and Sales Tax Credit*, downloaded from Province of Ontario website on June 1, 2010.

<sup>xviii</sup> Taken from Table 50 of the *2008 CHS – Public Funds and National Housing Act*, CMHC.

<sup>xix</sup> Ontario Budget 2008, *Chapter I: A Stronger Ontario, Seniors*

<sup>xx</sup> Per January 2010 *Housing Information Monthly* publication from CMHC, homeownership and condominium completions in 2009 amounted to 51,542 in Ontario and 156,045 in Canada. The percentage share of Ontario to Canada is therefore 33%.

<sup>xxi</sup> Total residential unit sales in 2009 for Ontario was 195,840. Total residential units sales in 2009 for Canada was 465,251 (based on the Canadian Real Estate Association).

<sup>xxii</sup> Despite there not being an estimate, the Non-Taxation of Capital Gains on Principal Residences is listed in the 2009 Ontario Economic Outlook and Fiscal Review – Transparency in Taxation 2009 document as a measure of forgone tax revenue.

<sup>xxiii</sup> Assuming all programs under RRAP excluding the Homeowner component are for renters. Total funding under RRAP for Ontario was \$41.6 million in 2008 and funding for the homeowner component was \$12.8 million. Difference reflects amount spent on rental component.

<sup>xxiv</sup> CMHC, *CHS – Public Funds and National Housing Act (Social Housing) 2008* (Table 53)

<sup>xxv</sup> This was done by taking the average gross rent of Ontario renter households from the 2006 Census (\$834 monthly; \$10,008 annually). From this, CPI growth of 7% between 2005 and 2009 was applied to the annual number to obtain a 2009 rent estimate (\$10,700). The 1,422,871 renter households in Ontario (per the 2008 Survey of Household Spending) were multiplied by the annual rent of \$10,700 to derive a total rental income figure of \$15 billion in 2009. The same process was

done for Canada as a whole to obtain a total rental income figure of \$38.4 billion in 2009 (\$9,340 annual rent in 2009 and 4,109,370 renter households in 2008).

<sup>xxvi</sup> An assumption has been made that all affordable housing programs are geared to renters.

<sup>xxvii</sup> Department of Finance, "One-Time Funding to Provinces and Territories," September 25, 2006 (accessed June 29, 2010) [http://www.fin.gc.ca/n06/data/06-048\\_1-eng.asp](http://www.fin.gc.ca/n06/data/06-048_1-eng.asp)

<sup>xxviii</sup> Snow, D. *A Roof Over Our Heads 2008: Affordable Housing and Homelessness Policy in Canada*. Canada West Foundation, September 2008, p. 21.

<sup>xxix</sup> Ministry of Finance, *Public Accounts of Ontario 2007-2008, Volume 1 – Ministry Statements and Schedules*

<sup>xxx</sup> Amongst other things, social housing expenditures include 'transfers to own funds'. These are funds transferred to capital funds, reserves, or reserve funds for use in subsequent years. As such, one may not consider them to be operational expenses in the year-of-question. We have included this component in the expenditure side, however, to recognize the fact that they are nevertheless, set aside for social housing. At the same time, we have included 'transfers from own funds' in the revenue section – this shows the amount of money taken out of capital and reserve funds to be spent on social housing in the operating year. The net amount, therefore, balances the two components.