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SOCIAL POLICY

Building Affordable Rental Housing in Unaffordable Cities:

A Canadian Low-Income Housing Tax Credit

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In this issue...

A new way to build social housing by using the tax system to leverage for-profit and nonprofit expertise in siting, building, ownership, and management.

The Study in Brief

Canadian cities have seen the impact of government built and operated social housing on the fabric of communities. Further, waiting lists for social housing have increased dramatically. There is an alternative.

In this study, the authors propose an alternative means of using federal funding to build low-income housing that leverages private-sector expertise in ownership, management and building low-income rental housing where the demand exists for it. The authors propose a made-in-Canada Low-Income Housing Tax Credit (LIHTC) that can build on the lessons learnt by the equivalent U.S. program introduced in the 1980s. The LIHTC would provide tax credits to for-profit or nonprofit owners of rental housing that is used for long-term low-income housing.

The LIHTC encourages better location and maintenance of low-income housing by enabling competition between developers for tax credits and creating a market test for the viability and need for low-income housing. This tax credit can be used to complement other government programs that aid renters, such as Rent Supplements, co-operative housing programs, housing allowances, and local government programs.

The LIHTC is a better way for Canadian Mortgage and Housing Corporation (CMHC) to disburse money to lower levels of government for the purpose of building social housing. Such an LIHTC is an ideal way to leverage some of the $2 billion in short-term stimulus funding for the construction of social housing into a sustainable long-term investment.

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