

Cost Estimate of Election Campaign Proposal

Publication Date: September 2021

Short Title: Increasing the Capital Cost Allowance rate for purpose-built rental housing

Description: Introducing a higher Capital Cost Allowance (CCA) rate for developers of purpose-built rental housing by allowing them to claim a 10% CCA on eligible properties. This proposal will be effective January 1, 2022.

Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Total cost		107	302	469	615	747	2,239

Notes:

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a reduction in the budgetary balance (lower revenues or higher spending). A negative number implies an increase in the budgetary balance (higher revenues or lower spending).
- "-" = PBO does not expect a financial cost.

Estimation and projection method: The number of purpose-built rental housing units completed each year was calculated from CMHC completions data and indexed to the EPC baseline. Average investment per unit was calculated based on average investment per unit for multi-unit dwellings and indexed for rising costs. The increase in Capital Cost Allowances was estimated assuming full uptake and utilization. Forgone tax revenues were estimated based on a weighted average marginal tax rate for corporations. This estimate does not account for the potential use of the Capital Cost Allowance by individual direct investors to offset income from a property.

Source of Uncertainty: The main source of uncertainty relates to uptake and utilization assumptions.

Data Sources:	Variable	Source
	Multi-unit dwelling completions	CMHC
	Trend in real residential investment	PBO EPC baseline
	Multi-unit dwelling investment	Statistics Canada
	Trend in construction costs	PBO, Federal Spending on Housing Affordability in 2021