OFFICE OF THE PARLIAMENTARY BUDGET OFFICER

BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

CANADA

Cost Estimate of Bill C-371:
An Act to Amend the Income Tax Act (low-cost residential rental property)

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The *Parliament of Canada Act* mandates the Parliamentary Budget Officer (PBO) to provide independent analysis to the Senate and House of Commons on the state of the nation's finances, the estimates and trends in the national economy.

Key Points of this Note:

- Consistent with its legislative mandate to estimate the financial cost of any proposal that relates to a matter over which Parliament has jurisdiction, the PBO was asked to prepare a cost estimate of Bill C-371: *An Act to Amend the Income Tax Act (low-cost residential rental property)*.

- Drawing on limited publicly available data, peer-reviewed publications and consultations with knowledgeable parties, it is estimated that the proposed legislative amendments are likely to result in forgone annual revenues to the federal government of between several hundred thousand to several million dollars in the short-term.

- A key determinant of this estimate is the definition of "low-cost", which the bill requires the government to define through regulation. Depending on how this term is restricted, the actual cost of the proposed legislative amendments would vary significantly, outside of the estimated range.

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I. Introduction

This note responds to the request of May 2009 by the Member of Parliament for Victoria, British Columbia, regarding the potential costs arising from the adoption of Bill C-371, *An Act to Amend the Income Tax Act (low-cost residential rental property)*.

The costing primarily relies on data, analysis and assumptions generated by government agencies and peer-reviewed publications. We have also undertaken consultations with several organizations and experts with knowledge of the investment decision process regarding Canadian residential rental housing.

Several key assumptions have also been provided by the office of the Member of Parliament for Victoria, which are identified in the assessment and may have a material impact on the cost estimate presented in this note.

Summary of Proposal

The *Income Tax Act* (ITA) stipulates that if rental buildings are disposed of for greater than their original cost, owners must pay full income tax on the difference between the original cost and depreciated value, as well as capital gains tax on the difference between the sale price and original cost[1,2].

The legislative proposal contained in Bill C-371 would amend the ITA to allow owners of residential rental properties to defer federal capital gains tax arising from disposition, provided that the proceeds are reinvested in low-cost residential rental property within 12 months[3]. The new asset would also be required to have a value greater than the original asset's undepreciated cost.

Bill C-371 would also require that the Government of Canada develop regulations to provide a mechanism to defer any recapture of the capital cost allowance arising from disposal, with the same stipulations as the aforementioned capital gains rollover provisions (*i.e.* time period, value of property). In addition, the regulations would also be required to precisely define the term "low-cost"[4,5].

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[1] R.S.C. 1985, c. 1 (5th Supp.). Accessed in June 2009 at http://laws.justice.gc.ca/en/I-3.3/index.html.

[2] The capital gains inclusion rate is currently 50%, resulting in taxable income at half of the applicable income tax rate.

[3] Proceeds of sale are net of selling costs.

[4] The full text of Bill C-371 is presented on the Parliament of Canada website: http://www2.parl.gc.ca/HousePublications/Publication.aspx?Docid=3839717&file=4. Accessed in June 2009.

[5] The type of residential rental asset is not circumscribed by the proposed legislation, and includes multi-unit residential complexes, condominiums and other smaller rentals. Targeting a specific element of this asset class would affect the potential outcome of the legislation, but is beyond the scope of this analysis.

Table 1 Current and Proposed Tax Treatment for Rental Unit Disposals

CURRENT	PROPOSED
▪ **Income tax on the difference between the original price of building and its depreciated value**	▪ **Deferred income tax on recaptured depreciation when proceeds are reinvested in "low-cost" residential rental property with a value higher than the undepreciated capital cost of the original asset**
▪ **Capital gains tax on 50% of the difference between the sale price and original price of the building (*i.e.* more precisely, adjusted cost base) at the applicable tax rate[6]**	▪ **Deferred capital gains tax when proceeds are reinvested in low-cost residential rental property with value greater than undepreciated capital cost of the original asset**

II. Cost Estimate

<u>Relevant Costs</u>

There are two types of relevant costs associated with this proposal[7,8]:

1. *Deferral of Recaptured Capital Cost Allowance (CCA[9])*: If the capital asset is disposed of for more than its depreciated value, the federal government currently levies income tax on the difference between the historical cost and the depreciated value.

2. *Deferral of Capital Gain*: If the capital asset is disposed of for more than its historical cost, the federal government levies income tax on half of the difference between the historical cost and proceeds of disposition.

In both situations, the relevant fiscal cost is the time value associated with deferral of these tax revenues. For individuals, the maximum period of deferral would be the lifespan of the asset-holder (*i.e.* there is a deemed disposition on death). For corporations and other organizations, the maximum period of deferral

[6] The adjusted cost base (ACB) of a rental property would include repairs or improvements that are not deductible (expensed) for income tax purposes (*e.g.*, new roof, cladding, chattels).
[7] The following discussion assumes that the asset is disposed of for greater than its original cost.
[8] Under the *Income Tax Regulations*, similar types of depreciable assets are grouped into classes. The pooling of the purchase and sale of similar classed depreciable property allows a taxpayer to defer recaptured depreciation by purchasing a new asset. However, rental properties with an original cost over $50,000 must be segregated into separate classes of depreciable assets.
[9] The capital cost allowance (CCA) is the maximum depreciation expense that an owner may claim on a tax return in a given year.

would be indefinite[10]. The appropriate discount rate for this calculation is the Government of Canada's real borrowing rate over the fiscal planning horizon[11].

In theory, the tax deferrals would be expected to be reversed at some juncture. However, in practical terms, this proposal would be expected to effectively reduce revenues over the short-term[12]. Given the primary relevance of this window for fiscal planning, **the following calculations will focus on forgone tax revenues during this period** (*i.e.* up to five years).

Calculations

For the purposes of cost estimation and the assumptions and limitations noted above, there are two general scenarios that warrant assessment:

1. *Current Market Transactions*. This is an estimate of the number of individuals and organizations that currently participate in the low-cost residential market, which would experience a windfall gain from the proposed legislative amendments.

2. *Incremental Market Transactions*. This is an estimate of the number of individuals and organizations that may be induced to invest in additional low-cost residential rental property as a result of the legislative amendments (*i.e.* either conversion of existing capacity or creation of new capacity).

A key determinant in estimating the cost of this proposal is the definition of "low-cost", which is to be specified in regulation. Another key consideration is ensuring that the roll-over provisions are only used by the intended target group (*i.e.* individuals and organizations that create additional "low-cost" residential housing), rather than inappropriately accessed by the other participants in the residential rental market.

Based on consultations with the office of the Member of Parliament for Victoria, it is assumed that:

- **"low-cost" is intended to mean that the residential rental units have rents that are below-market rates and that the majority of units in the building would be "low-cost"; and,**
- **the federal, provincial and municipal governments are assumed to have an effective oversight mechanism to control access to the proposed rollover provisions.**

[10] In theory, greater profitability for these types of organizations would result in greater corporate tax revenues and, potentially, higher capital gains through stock price appreciation for publicly traded entities. This vein of analysis is considered outside the scope of this study.
[11] Generally, the discount rate is comprised of three components: (1) inflation; (2) the real risk-free borrowing rate; and, (3) a risk premium associated with the specific transaction. In this situation, the underlying assets are expected to appreciate at least at the rate of inflation, resulting in a tax liability that will grow at a commensurate rate. The real risk free rate is the Government of Canada borrowing rate, which is the current cost of temporarily replacing the deferred revenues. Finally, given federal authority regarding income taxation, the risk of not being able to collect the deferred revenues at a future date is expected to be nil.
[12] Interview with Dr. Thomas Wilson, Senior Advisor with the Institute for Policy Analysis at the University of Toronto and Professor Emeritus at the University of Toronto. June 2009.

Current Market Transactions

National data regarding current market transactions relating to the disposition of existing residential rental properties and reinvestment in "low-cost" residential rental assets is not consistently tracked by the federal government[13]. Moreover, we are unable to identify consistent and comparable Canadian data among provincial and municipal governments.

However, consultations with individuals and organizations with expertise in this domain suggests that there is limited annual market activity that results in conversions of market rate rental stock to below-market rate stock (*i.e.* "low cost"), or creation of new stock that primarily offers residential rental housing at below-market rates[14].

To estimate the forgone revenues arising from "windfall gains", the approach taken in this note is to:

- estimate the potential capital gains and capital cost roll-over provisions for a generic 2 bedroom unit in a multi-unit residential structure; and,
- establish a range for the probable maximum and minimum volumes of transactions of these units that currently occur, which would be eligible for the provisions proposed in Bill C-371.

Detailed financial calculations are presented in Annex A, which are based on a framework developed by Dr. M. Steele[15,16]. In the short- to medium-term, the deferred revenues from existing transactions could be expected to be between several hundred thousand and several million dollars per annum.

Incremental Market Transactions

Relevant data and research do exist regarding the investments in and financial returns arising from the Canadian residential rental market, which can be used to infer the influence of the proposed legislative provisions on behaviour of building owners. The approach in this note is to:

- estimate the cost of a potential capital gains and capital cost allowance rollover provision for the entire residential rental market;
- assess the overall financial benefit to building owners of the proposed rollover; and,
- evaluate whether the financial benefit of the rollover would materially offset charging below-market rents for the "low-cost" accommodation.

[13] Interview with Doug Stewart, Vice President of Policy and Planning with the Canadian Mortgage and Housing Corporation. June 2009.

[14] Interview with John Dickie, President of the Canadian Federation of Apartment Associations (CFAA); Dr. Marion Steele, Associate Professor Emeritus at the Department of Economics, University of Guelph and Resident Research Associate with the Cities Centre at the University of Toronto, and Steve Pomeroy, Focus Consulting Inc. & Senior Research Fellow, University of Ottawa Centre on Governance. June 2009. While the interviewees were unable to provide a precise estimate, there was a general agreement that there were likely fewer than 10 transactions over the past decade that would be eligible for the measures proposed under Bill C-371, and these situations likely related to smaller buildings.

[15] The framework applied in this note uses many, but not all, of the same assumptions. Key differences are outlined in Annex A.

[16] Steele M. Capital Gains Rollovers and the Two-Sector Rental Housing Market: A simulation Study of Toronto. Forthcoming in the Canadian Tax Journal. 2009.

The Canadian Real Estate Association (CREA) has sponsored ongoing research regarding the cost to the federal government of implementing provisions *similar* to Bill C-371, but unrestricted to "low-cost" accommodation[17]. This analysis suggests that the total cost of an **unrestricted deferral for all rental properties** could be up to $450 million per annum in the short- to medium-term, which would be expected to be recouped in the later years. This analysis also indicates that forgone revenues would be partially offset by additional economic activity, but does not provide an estimate.

The Parliamentary Budget Officer has not validated CREA's underlying analysis and the financial figures presented in this note represent an indicative order-of-magnitude estimate. Further details regarding how these estimates were generated are presented in Annex A.

Forthcoming research by Dr. Marion Steele provides insight regarding the potential financial benefit of rollover provisions for the multi-unit residential rental market, compared to other factors influencing the overall return[18]. This analysis suggests that the rollover provisions recommended by CREA would increase the overall return for rental residential investments by approximately 10% to 15%. Similar estimates were generated by earlier analysis of Ernst and Young in a report prepared for the Government of Ontario[19].

Based on the assumptions and limitations presented by the authors, these analyses appear reasonable and our office has had an opportunity to assess the underlying model. Spreadsheets containing our assessment are presented in Annex B.

Overall, this suggests that if "low-cost" is defined in regulation to be greater than a 15% discount on market rents, then there will be little financial incentive to create additional capacity. As such, there is expected to be no material net impact on federal tax revenues.

Up to a 15% discount on market rents, there could be a small financial incentive to invest in "low-cost" housing. In theory, all market participants could be induced to seek this additional return by converting to "low-cost" status, resulting in forgone revenues to the federal government of at least several hundred million per annum in the short-term (*i.e.* the cost could be a similar order of magnitude as the unrestricted rollover estimate prepared by CREA). While experts in this domain have indicated that this is an unrealistic outcome, it is impossible to definitively assess actual behaviour based on the data currently available[20].

While non-pecuniary incentives may exist to invest in "low-cost" residential housing, these are beyond the scope of this analysis. Moreover, to the extent that the primary financial impediments to investment in "low-cost" housing relate to upfront cash flow, the proposed legislative amendments would do little to alleviate this issue[21].

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[17] Canadian Real Estate Association (CREA) submission to the Standing Committee on Finance. "Why Canada Needs a Capital Gains Deferral". 2008. CREA also shared copies of the detailed analytical memoranda prepared by Dr. Thomas Wilson that form the basis for their estimate.

[18] Steele M. Capital Gains Rollovers and the Two-Sector Rental Housing Market: A simulation Study of Toronto. Forthcoming in the Canadian Tax Journal. 2009.

[19] Ernst and Young. Comparative Real Estate Financial Analysis: Prepared for the Ministry of Municipal Affairs and Housing, Housing Policy Branch, Housing Supply Working Group. May 2001.

[20] Personal communications with Dr. Marion Steele, Associate Professor Emeritus at the Department of Economics, University of Guelph and Resident Research Associate with the Cities Centre at the University of Toronto, and John Pomeroy, Consultant with Stewart and Associates. June 2009.

[21] See articles by Drummond D. and Allen E. in *Finding Room: Policy Options for a Canadian Rental Housing Strategy*. Centre for Urban and Community Studies at the University of Toronto. 2005.

In summary, overall short- to medium-term costs arising from this proposal would be in the broad range of several hundred thousand and several hundred million dollars per annum. While this does not include the additional revenues generated from additional economic activity, it should be noted that the upper-end estimate pertains to conversions, rather than construction.

Long-Term Net Cost

As discussed earlier, the long-term net cost to the Government of Canada is the time value of the deferral (*i.e.* the cost of offsetting the deferred revenue with debt financing). The incremental deferral period for investors will be the period of time that monies are retained in residential rental assets (*i.e.* the *additional* time period for which the recognition of capital gains and recaptured CCA could be deferred).

Although data do not exist to assess the behavioural impact of these changes in residential rental real estate investors, the current age profile of asset holders suggests that an additional 15 years to 20 years deferral could be reasonable. At a discount rate of approximately 2%[22], this suggests that the Government of Canada would incur interest expenses of between 34% and 49% of the deferred tax revenues[23].

As noted earlier, some activity would be undertaken by indefinitely lived organizations, for which the tax deferral would not necessarily reverse itself. Using the federal tax incidence ratio calculated by CREA of corporations to individuals (*i.e.* the capital gains tax and tax payable arising from recaptured capital cost allowance), it suggests that approximately 43% of federal tax revenues arising from residential rental real estate transactions relate to corporate activity. Therefore, it is possible that these revenues would be deferred indefinitely, further increasing the cost of this measure.

Overall, while good data regarding time periods of asset holdings and reversal are not available, it appears reasonable to assume that the net long-term cost to the government is similar to the nominal figures cited earlier (*i.e.* several hundred thousand to several hundred million dollars).

[22] Average 2009 yield on the Government of Canada real return bond.
[23] The calculations for these figures are as follows: 2% real interest rate, compounded over a 15 year and 20 year time period.

Annex A: Estimate of Federal Tax Revenues Arising from Current Market Transactions

Based on 2 Bedroom Unit, in Multi-Unit Residential Structure

Market Price of 2 Bedroom Unit	$90,000	$90,000	
Historical Cost of 2 Bedroom Unit	$69,626	$38,083	*market price deflated by CPI for residental rental shelter expenses*
Gross Capital Gain	**$20,374**	**$51,917**	
Proportion of Historical Cost Related to Depreciable Asset	$52,219	$28,562	*total historical cost, less % of purchase price allocated to land*
Current Undepreciated Capital Cost	$46,997	$15,233	*total historical cost of depreciable assets, less CCA taken by asset holder*
UCC recapture	**$5,222**	**$13,329**	
Federal Tax Payable			
Capital Gains	$1,528	$3,894	*50% inclusion rate, assuming no offsets*
Income Tax	$783	$1,999	
Total	**$2,311**	**$5,893**	*per unit sold*
Total Forgone Revenues to the Federal Government	**$115,568**	**$7,366,409**	

Assumptions

	Low	High
Borrowed from Steele Model:		
Current Market Price Per 2 Bedroom Unit	$90,000	$90,000
Corporate Tax Rate for Federal Government	15%	15%
Undepreciated Capital Cost (as a % of historical, assumes 25-year holding period, maximum taken in each year)	90%	53%
Land is set as an initial percentage of total property value	25%	25%
Holding Period of Asset (Years)	10	25
Further Assumptions Made by Author, based on External Consultations		
# Units in Building	50	250
# of Eligible Transactions Per Annum	1	5
Deflation Rate (Statistics Canada, CPI, Rented Shelter Costs, Over Historical Range of Holding Period)	2.6%	3.5%
Federal Capital Gains Inclusion Rate	50%	50%

Annex B: Dr. Wilson's Analytical Approach

Data Source

- Federal tax return data for 2005.

Data Sets

- Incidence of federal tax payable on capital gains and capital cost allowance recapture, which coincides with reported gross rental income of $12,000 or any net positive rental income.

Assumptions

Generated by Dr. Wilson

- Individuals and corporations would apply capital losses and other business losses against capital gains and recapture arising from disposal at a rate of approximately 20%.

Generated by Canadian Real Estate Association (CREA)

- Take-up rate of rollover provisions among asset holders would be 58%.
    - Estimate has been generated from surveys of real estate investors by CREA[24].

[24] Estimate appears reasonable given the distribution of existing capital gains arising from the disposition of residential rental property, which indicated that approximately 50% of individuals were over 55 in 2005 & 2006, some of whom were likely seeking to exit the market.

Annex C: Statements of Operations[25]

Individual, Condominium (2 Bedroom Unit)

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 25
Potential Gross Income		$17,880	$18,264	$18,657	$19,058	$19,468	$29,791
Vacancies		-$89	-$91	-$93	-$95	-$97	-$149
Effective Gross Income		$17,791	$18,173	$18,564	$18,963	$19,371	$29,642
Operating Expenses		-$6,227	-$6,361	-$6,497	-$6,637	-$6,780	-$10,375
Net Operating Income		$11,564	$11,813	$12,066	$12,326	$12,591	$19,267
Interest on Downpayment Loan		-$2,714	-$2,714	-$2,714	-$2,714	-$2,714	-$2,714
Debt Service							
Interest		-$9,075	-$8,898	-$8,710	-$8,305	-$8,085	$0
Principal		-$3,402	-$3,590	-$3,787	-$3,995	-$4,215	$0
Net Income After Financing		-$225	$201	$642	$1,307	$1,792	$16,553
Capital Expenditure (Expense for Refurb)		$0	$0	$0	$0	-$11,041	$0
Before Tax Cash-Flow		-$3,627	-$3,389	-$3,145	-$2,688	-$13,464	$16,553
Max CCA Allowed		-$3,740	-$7,480	-$7,472	-$7,446	-$7,394	-$4,129
CCA Taken		$0	-$201	-$642	-$1,307	$0	-$4,129
Taxable Income Before CCA		-$225	$201	$642	$1,307	-$9,249	$16,553
Actual Taxable Income		-$225	-$0	-$0	$0	-$9,249	$12,425
Income Tax		-$104	-$0	-$0	$0	-$4,255	$5,715
Net After Tax Cash Flow from Operations	-$11,000	-$3,524	-$3,389	-$3,145	-$2,688	-$9,209	$10,838
Total After Tax Cash Flow		-$3,524	-$3,389	-$3,145	-$2,688	-$9,209	$10,838
Purchase Price of Property	$220,000						
Nominal Value of Building	$187,000	$190,740	$194,555	$198,446	$202,415	$206,463	$306,793
Nominal Value of Land	$33,000	$33,660	$34,333	$35,020	$35,720	$36,435	$54,140
Book Value (inc. depreciation)	$187,000	$187,000	$186,799	$186,157	$184,850	$184,850	$99,089
Real Net Income After Financing		-$221	$193	$605	$1,208	$1,623	$10,090

Assumptions

Tax Rate in Highest Ontario Bracket	**46%**
Rent Starts at Mean 2006 CMHC 2brdm, Downtown Toronto, increases at 2.15% per annum	**2.15%**
Vacancy Rate is constant at 0.5% of total	**0.50%**
Operating Expenses set as a % of Effective Gross Income	**35.00%**
Mortgage Loan is 75% of property value	**75.00%**
Amortization period of mortgage loan is 25 years	**25**
Capital Expenditure Estimate to maintain asset, 5 years $10,000 real reinvestment, 2.0% inflation	**$10,000**
Inflation Rate (unless otherwise specified)	**2%**
Mortgage Interest Rate	**5.5%**
Land is a constant percentage of property value	**15.0%**
Nominal Value of Property Increases with rent growth	**2.15%**
CCA Rate - Declining Balance	**4.00%**

Capital Gain:	$140,933	
CCA Recapture:	$87,911	
Tax Payable:	$72,854	
Net Cash Flow	**$155,991**	
		% of total real income
Real Cash Flows from Operating Income:	$123,567	71%
Real Cash Flows from Asset Appreciation:	$51,081	29%

[25] This model is based on a framework developed by Dr. M. Steele and uses the same assumptions. All of the values, including rates of increases and the mortgage interest rate are in nominal terms.

Corporation, Multi-Unit Residential Complex (per 2 bedroom unit)							
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 25
Potential Gross Income		$12,840	$13,129	$13,424	$13,726	$14,035	$21,902
Vacancies		-$385	-$420	-$430	-$439	-$449	-$701
Effective Gross Income		$12,455	$12,709	$12,995	$13,287	$13,586	$21,201
Operating Expenses		-$4,359	-$4,448	-$4,548	-$4,650	-$4,755	-$7,420
Net Operating Income		$8,096	$8,261	$8,447	$8,637	$8,831	$13,781
Debt Service							
Interest		-$4,208	-$4,177	-$4,144	-$4,074	-$4,035	-$2,631
Principal		-$591	-$624	-$658	-$694	-$733	-$2,137
Net Income After Financing		$3,889	$4,084	$4,302	$4,563	$4,795	$11,150
Capital Expenditure (Expense for Refurb)		$0	$0	$0	$0	-$3,726	$0
Before Tax Cash-Flow		$3,297	$3,460	$3,644	$3,869	$337	$9,013
Max CCA Allowed		-$1,350	-$2,646	-$2,540	-$2,439	-$2,341	-$1,058
CCA Taken		-$1,350	-$2,646	-$2,540	-$2,439	-$1,069	-$1,058
Taxable Income Before CCA		$3,889	$4,084	$4,302	$4,563	$1,069	$11,150
Actual Taxable Income		$2,539	$1,438	$1,762	$2,124	$0	$10,092
Income Tax		$1,168	$661	$811	$977	$0	$4,642
Net After Tax Cash Flow from Operations	-$13,500	$2,129	$2,799	$2,834	$2,891	$337	$4,371
Net After Tax Cash Flow from Sale		$0	$0	$0	$0	$0	$0
Total After Tax Cash Flow		$2,129	$2,799	$2,834	$2,891	$337	$4,371
Purchase Price of Property	$90,000						
Nominal Value of Building	$67,500	$68,850	$70,227	$71,632	$73,064	$74,525	$110,741
Nominal Value of Land	$22,500	$22,950	$23,409	$23,877	$24,355	$24,842	$36,914
Book Value (inc. depreciation)	$67,500	$66,150	$63,504	$60,964	$58,525	$57,456	$25,399
Real Net Income After Financing		$3,812	$3,925	$4,054	$4,215	$4,343	$6,796
Assumptions							
Purchase Price per 2 bdrm unit						**$90,000**	
Corporate Tax Rate for Ontario (fed&prov)						**25%**	
Rent Starts at Mean 2006 CMHC 2brdm, Downtown Toronto, increases at 2.25% per annum						**2.25%**	
Vacancy Rate is set at 2006 CMHC Data for Downtown Toronto (multi-unit)						**3.20%**	
Operating Expenses set as a % of Effective Gross Income						**35.00%**	
Mortgage Loan as a % of property value						**85.00%**	
Amortization period of mortgage loan is 40 years						**40**	
Capital Expenditure Estimate to maintain asset, 5 years $10,000 real reinvestment, 2.0% inflation						**$3,375**	
Inflation Rate (unless otherwise specified)						**2%**	
Mortgage Interest Rate						**5.5%**	
Land is set as an initial percentage of total property value						**25.0%**	
Nominal Value of Property Increases with rent growth						**2.25%**	
CCA Rate - Declining Balance						**4.00%**	
Real Cash Flows from Operating Income:			**$133,158**		**96%**		
Real Cash Flows from Asset Appreciation:			**$5,996**		**4%**		