



In the last days of the federal election campaign Peter took time from campaigning to meet with Jonathan Denis, Alberta's Minister of Housing and Urban Affairs, and MLA Doug Elniski to discuss the "Mayfair Village model" of affordable rental housing and how the federal and provincial governments could work more closely to enhance outcomes favourable to the taxpayer as well as those in need of housing.

MAYFAIR

VILLAGE MODEL - A PLAN FOR SUCCESS

Peter suggests encouraging the private sector to once again become involved in the creation of affordable rental housing by building on the "Mayfair Village model" of private sector federal/provincial encouragement.

In addition he proposes that we unstitute a capital gains tax roll-over provision for owners of aging existing stock to sell and re-invest tax-free in new affordable rental housing construction under the federal-provincial program; and

We must make affordable rental housing a priority for our government through a specific CMHC administered Affordable Rental Housing Creation Program

modelled on the Residential Rehabilitation Assistance Program (RRAP) program of funding that partners with the provinces and municipalities. Peter suggests \$60,000 per unit funding (\$25,000 federal, \$25,000 provincial, \$10,000 municipal) under provincial administration.

ENCOURAGING THE PRIVATE SECTOR

The private sector has all but abandoned the rental field due to mostly municipal multiple discriminatory private sector rental industry specific barriers and due to the preferential, rather unlimited, support for the non-profit rental housing sector, which has caused costs to artificially soar in the private sector for the ever lessening existing rental stock.

However, when given the opportunity the private sector has shown willingness to provide affordable rental housing with a much more modest government investment, about \$60,000 per unit, as has been

done recently by Edmonton developer Procura with its Mayfair Village Project. I personally campaigned for this project for fully one-



Doug Elniski, Jonathan Denis and Peter Goldring met in Minister Denis' office to discuss the "Mayfair Village model" of providing private sector affordable rental housing.



and-half years by gaining substantial written support from many Members of Parliament, members of the Alberta Legislature and the mayor of Edmonton, putting in countless hours before it received funding approval.

When completed in (approximately) September 2011, Mayfair Village will provide 237 units of affordable rental housing, bachelor and one-bedroom apartments, renting for 10% below market average rates for the next 20 years.

With projects like this three times the number of affordable rental housing units can be created for the same cost to taxpayers than if most non-profit sectors were involved. The saving to taxpayers on the Mayfair Village project alone is about \$40 million. If such projects were encouraged to be built across Canada the savings to taxpayers would be literally billions of dollars.

Alberta is the only province to implement the "Housing First" approach to homelessness and to develop a 10-year plan to end homelessness. Minister Denis reports that utilizing the "Mayfair Village model" involving the private sector that Peter promoted is already starting to reduce some government costs for the same outcome. The province no longer gives block funding grants but instead approves individual projects following a request For Proposal process. This has saved the taxpayers millions of dollars and the province receives three proposals for every one that can be funded, allowing it to choose the best projects.

THE CAPITAL GAINS ROLLOVER PROVISION

Alberta has had some recent success involving the private sector and the Mayfair Village model in the construction of new affordable rental housing units. However the suggested \$60,000 per unit grant (\$25,000 each from the federal and provincial governments and \$10,000 from the municipality) on its own is tight for developers.



Peter suggests we go further and offer experienced private sector owner-management groups further incentive. We could offer temporary capital gains tax forgiveness to owners selling older rental buildings if they reinvest that income in new federally-provincially approved affordable rental housing stock (which would remain as affordable rental housing, at least 10% less than market average

rates, for a minimum of 20 years) or until such time as they return the housing to regular market house prices if it is later or less than that 20-year period. At such time then the capital gains taxation provisions would apply, and if less than a 20-year period a payback of federal program funds would be enacted. If the project or property were sold (for example as a condominium conversion) then federal capital gains taxes would apply.

This would be a limited time program tied to the funding available federally and provin-



cially for affordable rental housing and a calculation of regional need due to vacancy rates.

This would create much needed new private sector rental housing stock at a tremendous taxpayer saving compared to much of the non-profit housing industry. Presently taxpayer incentive costs per unit are \$60-70,000 per door for private sector projects compared to \$150,000- \$225,000 or more per door for an identical outcome of independent living affordable rental housing provided by most of the non-profit sector.

The **savings for Mayfair Village**, one 237-unit project, was **\$40 million**. If this model is taken nationwide the savings would be many billions of dollars.

Implementing such an incentive measure will:

Return competition to the rental market by bringing new rental product at reasonable rates.

Lead the way to have the private sector fulfill rental housing need.

Allow the non-profit social sector to focus on the areas where they have expertise but still to be able to compete in the rental housing area - on the same level playing field as the private sector if they so wish.

See the private sector eventually return the grant money in taxes.

The private sector will also contribute to the

municipal property tax base, unlike many non-profits which are exempted from paying municipal taxes.

Will have little impact on current government revenues as the government receives minimal capital gains tax money now since owners are holding on to older housing stock rather than selling, reinvesting and building because of the economics of rental construction and the tax situation. What relatively minor taxation

revenue loss there would be would be greatly offset by the increase in affordable rental housing construction.

Could create three to four units new affordable rental housing units for each unit held.

Alberta Housing and Urban Affairs Minister Jonathan Denis was enthusiastic about this proposal, suggesting it should be discussed at a federal-provincial-territorial meeting. He

felt that such an incentive would give the province even more choice in the projects it funds.

THE AFFORDABLE RENTAL HOUSING CREATION PROGRAM

Given that the money is already allocated to affordable rental housing, it becomes only a matter of determining how it is to be spent. One of the criticisms of affordable housing spending is that the money is dispensed by all levels of government without a clear strategy, leading to some projects receiving multiple



Mayfair Village model of private sector affordable rental housing is now being considered as the most cost effective way for government to encourage rental property development.

levels of grants and others no funding at all.

Using already allocated funds CMHC could create a similar program, the Affordable Rental Housing Creation Program. This program could offer the private sector (and the non-profit sector if they wish to compete) \$60,000 per unit (in 2011 dollars) under tight controls and guarantees to ensure that money allocated for creation of affordable housing is used to create affordable housing.

taxpayer, allowing the government to deal with a pressing national problem in a fiscally responsible manner.

Peter Goldring is author of: *Housing Affordability: An Edmonton Concern and A National Challenge* (2000) and *Housing Affordability: Still An Edmonton Concern And A National Challenge* (2008).

SUMMARY

Affordable rental housing is a national political concern. Implementing this three-point plan will provide an increased number of new affordable rental housing units at no extra cost to the

Update: This information has been forwarded to the Honourable Ted Menzies, Minister of State (Finance). If this “Mayfair Village Model” were to be implemented nationally it could result in a one billion dollar annual saving for taxpayers.

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This brochure series is intended to highlight special issues that Member of Parliament, Peter Goldring, has been involved in. If you wish to comment, please take a moment to fill out the survey below, write or call to the address above.

Your Opinion Matters...

Should governments of all levels do more to encourage the private sector rental industry?

Yes

No

Do you believe that the private sector can provide independent living affordable rental apartment housing?

Yes

No

Comments: _____

Name: _____
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