

Affordability: Hidden Problems

Peter Vogel

Deputy Leader, CHP Canada

Both the Liberals and Conservatives have talked about affordability, but in both cases, there is not a strong reassurance that their plans are strong enough or different enough to really deal with underlying issues. Why not?

The Conservatives have four parts to their plan:¹ **“1. Fix the mortgage stress test to ensure that first-time homebuyers aren't unnecessarily prevented from accessing mortgages and work to remove the stress test from mortgage renewals to give homeowners more options.”** — Nice, but the more rules and exceptions we have, the harder it gets to figure it all out! And in many cases, the price is still unaffordable. **“2. Increase amortization periods on insured mortgages to 30 years for first-time homebuyers to lower monthly payments.”** — Lengthening the mortgage is one way to make things work, but is that really a promise you are comforted by? What about a 40 year mortgage in a few years if prices keep climbing? The longer the mortgage period the higher the total cost to the home buyer. **“3. Launch an inquiry into money laundering in the real estate sector and work with our industry partners to root out corrupt practices that inflate housing prices.”** — This is a more substantive proposal, and hopefully one that they would follow-through with if elected. **“4. Make surplus federal real estate available for development to increase the supply of housing.”** — Possibly a good short-term solution in some areas if there is surplus where there is need. But there is only so much to go around.

What about the Liberals?² **1 “As part of our new, ten-year investment of nearly \$20 billion in social infrastructure, we will prioritize significant new investment in affordable housing and seniors facilities.”** — Well, you should be able to get a few houses built for \$20 billion, to be sure, but where is the money coming from? More debt? (more on that later). **2 “We will undertake a review of escalating home prices in high-priced markets – like Vancouver and Toronto – to determine whether speculation is driving up the cost of housing.”** — A study into speculation? Perhaps a good start, but why didn't they do it already? **3 “We will increase the new residential rental property rebate on the GST to 100 percent, eliminating all GST on new capital investments in affordable rental housing.”** — This might have merit, but look out for the law of unintended consequences... (more on this later). **4 “This will (sic) provide \$125 million per year in tax incentives to increase and substantially renovate the supply of rental housing across Canada.”** — This could increase the number and quality of rental units available, but what about the renters who want to buy and not keep renting forever?

CHP's platform³ on this is much simpler, and combined with our other policies, gives a much better foundation for home ownership and affordability: **1 “Reduce foreign purchases of homes, businesses and farmland”** — This platform alone gets to the bottom of the issue that the Conservatives and Liberals both seem to hint at with terms like “money laundering” and “speculation”; there is a problem with non-Canadians buying Canadian houses and land. Canadian real estate is plentiful and relatively cheap, so foreigners are buying it. Canadian residency should be a prerequisite to buying Canadian land and houses. **2 “Strengthen the family unit, reduce divorce and the necessity of one couple maintaining two homes”** — Easier said than done, to be sure, but let's at least acknowledge that when a family breaks up it causes a new pressure on the housing market; promotion of traditional marriage for the long-term should be promoted as an ideal instead of alternative lifestyles. **3 “Make stay-at-home parenting more affordable”** — Again, this is about strengthening the family; tax measures like income-splitting and benefits for at-home caregiving should be encouraged as short-term measures to help families.

But the affordability crisis is not just a problem of foreign ownership and weak families; there is another big factor that the big parties hardly ever mention — the growing debt and constant interest payments; here is what long-time CHP member Jim Smedes recently wrote about this:

“You and I are a part of a family, not just our immediate family, but also part of an extended family called Canada. In 1968, Pierre Trudeau, the father of our current Prime Minister Justin Trudeau, became Prime Minister of Canada. The national debt clock⁴ shows the national debt [back then] was \$14.4 billion*, or \$687.00 per person. Justin Trudeau, by following in his father's footsteps, and making monetary mistakes of a similar pattern, has now increased the national debt to \$695 Billion* or \$18,661 per person. Never once have I heard Justin Trudeau inform us of how much we pay every day in interest alone on our national debt [over \$70 million per day!]; money that could have been spent on more helpful priorities. Nor have I heard him apologize for the debt. If you or your family have had to struggle to pay off debts, you know it makes no sense for Canada to “choose forward” into greater debt that robs us of any positive future. On election day, I will choose a better solution.” (*figures taken from September 21, 2019 data)

Exactly! Liberals want you to look ‘forward’, not backward at that big, ugly debt. Conservatives say “It’s time for you to get ahead” but we are not getting ahead of our debt — it is getting ahead of us! The Conservatives also in their most recent 9 years in power added over \$144 billion to the national debt.

Getting back to the idea of giving tax breaks to increase rental supply (the Liberal solution), we have to ask if that will benefit Canadian property owners or foreign owners? Without a residency test for potential buyers, tax breaks like this could actually make land speculation in Canada more attractive and drive prices up farther!

In case you are wondering, the price of renting in Canada is high and rising; “almost half of Ontarians spend more than 30 percent of their income on rent and utilities.”⁵ It might not be that bad where you live, but please raise your hand if you see the cost of living going down in your province!

One other CHP platform that would get to the bottom of the problem would be the Fair Tax; it would eliminate the Income Tax with all of its collection costs.

Simpler, fairer taxes, a citizenship test for real estate buyers, and a plan to actually pay down the debt; that would get to the root of Canada’s affordability problem.

If you think this is common sense, please join⁶ and support CHP!

Footnotes

¹ www.conservative.ca/andrew-scheer-announces-four-point-plan-to-make-home-ownership-more-affordable/

² www.liberal.ca/our-plan-for-affordable-housing/

³ www.chp.ca/about/2019platform

⁴ www.debtclock.ca/

⁵ www.narcity.com/real-estate/ca/how-much-do-canadians-spend-on-rent-in-some-places-its-almost-unaffordable

⁶ www.chp.ca/get-involved/

The Christian Heritage Party of Canada
www.chp.ca • NationalOffice@chp.ca • 1-888-VOTE-CHP (868-3247)
PO Box 4958, Station E, Ottawa, Ontario K1S 5J1
This Communiqué may be copied
