

# Cost estimate

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Publication date : 2019-04-30

Short title: Rental Construction Financing Initiative Expansion

Description: Expanding the Rental Construction Financing Initiative by 10 billion dollars in loans and extending the policy from 2020-2021 to 2027-2028.

Operating line(s): Direct Program Expenses: Operating Expenses

Data sources:	<u>Variable</u>	<u>Source</u>
	Operating Costs	Finance Canada / CMHC
	Capital Costs	Finance Canada / CMHC
	Interest Costs	Finance Canada / CMHC
	Credit Risk Costs	Finance Canada / CMHC

Estimation and projection method: Project uptake was assumed to be full, with funds distributed over the lifetime of the policy. Expected loan amounts followed Finance Canada projections.

Operating costs are based on Finance Canada / CMHC inputs. Capital costs are repaid over time and do not have a fiscal impact on an accruals basis. Interest costs were calculated by estimating the cost of deferred interest payments by the borrower. These costs were compared to incomes generated by investment returns on non-disbursed loans and the interest rate differential between the government's cost of borrowing and the amount the borrower must pay on the loans.

Uncertainty assessment: The estimate has moderate uncertainty. These results are based on projections on the long-term cost of lending and investment returns which are sensitive to market movements. Additionally, the timing of loans may vary considerably from those assumed within the projection.

## Cost of proposed measure

\$ millions	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total cost	-	7	17	46	81	134

### Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts. Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost