

Paying Rent for Land will reduce the cost of living

Presented by Floyd Marinescu, June 28th, 2022 / CGO Event

Paying rent for land will bring down the cost of living

If we want to bring down the cost of living, we need to reduce the #1 incentive that is driving up the #1 cost that we all face. What is that cost? Rent and mortgage payments - and the #1 incentive that is driving up this cost increase is the desire for housing prices to go up. Most of the population wants it to go up, while the other part needs it to come down. What if we all wanted it to come down and stay as low as possible?

Land right now is an investment asset, safer than bonds and stocks. The actual house you buy doesn't increase in value over time, it needs up keep, renovation, modernization to maintain or improve its resale value. The land under it does go up, and it is our desire for land value to go up, treating it as a long term wealth creation vehicle that drives up bidding behavior, mortgage debts, leading people to spend a painful amount of money just to live. 80% of the rising cost of housing is due to land value increase.

So how do we cancel land as an investment asset? We make it more like electricity, a utility that you pay for how much you use, by paying rent for it. Stocks appreciate by 6% long term, and land appreciates by 7% long term. A 5.5% land rent coming out of that would make land return only 1.5% long term, which would drive all the speculators out to invest in other things, reduce the amount banks are willing to lend which will dramatically reduce demand that drives up housing costs. Families and property managers will be the #1 customers for which housing would be built as opposed to people buying 2nd or more homes which are 90% buyers of new construction these days.

The money to pay for this rent can come from reducing income taxes and rebating part of the nations land rent income back to us so that the vast majority of us come out ahead. My early research shows that the rental value of land in Canada could be used to eliminate all income tax for the first \$65,000 of income from work, pensions and investments, freeing 70% of the population from income tax, and on top of that we can rebate to every Canadian a \$500/month to help with affordability.

This is money we are already spending elsewhere in tax, rent people already pay landlords or mortgage fees already paid to banks. This would also be swapping housing equity for cash equity in terms of the value of these cash flows for the average family and their descendants. Meantime housing would become a lot cheaper absent the incentives that drive up high bidding, as it has been proven that increasing land rents comes directly out of the upfront purchase value of a home, which could long term wipe hundred of billions of dollars of debt off of the over

\$2T dollars currently owed to Canadian banks, keeping more money in peoples pockets to spend in the real economy.

There would still be a lot of money to be made in real estate, by renovating to sell, modernizing to maintain and increase value, and of course building new inventory. That is honest and value adding work, work that improves our quality of life, with investment incentives shifting to drive building more units.

The housing crisis cannot be fixed without this structural change in incentives, all the parties are promising building 1.5M units over 10 years, but do we really expect that to make a difference when our incentive structure is designed to drive prices ever higher?

Embedded talking points in this.

- Making housing as a long term investment asset worth less than stocks or bonds will reduce demand for housing
- Paying rent for land will reduce demand that drives up housing costs