



## Canadian Home Builders' Association Pre-Budget Submission for Budget 2017 to the House of Commons Standing Committee on Finance

### Executive Summary

The Canadian Home Builders' Association (CHBA) has identified priority actions for the federal government that align with the major FINA themes:

- 1) **Help All Canadians Prosper** by supporting increased housing affordability for Canadians in the middle-class and those aspiring to join it; and addressing the largest opportunity for GHG reductions in housing—energy retrofits—while curbing cash-only deals to protect Canadians. Measures include:
  - Support increased access for first-time home buyers
  - Remove tax glitches that inhibit new rental investment
  - Offer a home energy retrofit incentive coupled with EnerGuide ratings
  - Renovate older social housing stock
- 2) **Help Businesses Contribute to Economic Growth** by focusing on jobs and innovation to ensure a thriving industry, advance productivity, and support labour mobility. Measures include:
  - Innovate through R&D for better houses that cost less
  - Support housing research, data-gathering and analysis to improve decision-making
  - Support skilled trades training and inter-provincial harmonization of standards
- 3) **Help Communities Prosper** by ensuring that infrastructure investments increase housing affordability and promote inclusive community development. Actions include:
  - Support transit-oriented development and complete communities
  - Mount a national campaign to promote inclusive communities

These priorities, and the “new fundamentals” driving housing markets are all explained in straight-forward terms with infographics in CHBA’s *Continuing the Conversation* document at: [http://www.chbaforum.ca/CHBADocs/ForumForGrowth/2016\\_ContinuingTheConversation\\_ENGLISH-web.pdf](http://www.chbaforum.ca/CHBADocs/ForumForGrowth/2016_ContinuingTheConversation_ENGLISH-web.pdf)).

[French link: [http://www.chbaforum.ca/CHBADocs/ForumForGrowth/2016\\_PoursuivreLaDiscussion\\_FRANCAIS-web.pdf](http://www.chbaforum.ca/CHBADocs/ForumForGrowth/2016_PoursuivreLaDiscussion_FRANCAIS-web.pdf)]

## Context

The 2017 Federal Budget will aim to support Canadians, businesses and communities in achieving inclusive economic growth. Housing and the residential construction industry must be key priorities in this venture. There are also important links between the Budget and the “National Housing Strategy” the government is developing. The latter must address the full spectrum of housing issues and needs taking into account both market dynamics and social development.

The Canadian Home Builders’ Association (CHBA) is the voice of Canada’s residential construction industry. Our 8,500 member companies include new home builders, developers, renovators, service providers, trades and more, engaged in the construction and renovation of low-rise and high-rise housing for purchase or rent. CHBA’s members are deeply engaged in their communities and seek to fulfill the housing aspirations of all Canadians.

In particular, CHBA members are concerned about ensuring that young Canadians and new Canadians can buy their first home. They recognize too the concerns of existing home owners seeking to maintain the value of their largest single investment. Housing accounts for \$4 trillion plus in equity and savings in the national economy, while fulfilling the essential role for all Canadians as shelter.

The residential construction industry is Canada’s largest industry employer, providing jobs through thousands of enterprises to more than 1 million Canadians, paying more than \$58B in wages, and generating over \$128B in economic activity. It generates over \$41B in total government revenues each year. Unlike most industries which are regional, home building and renovation are vital parts of the economy of every single community across the country.

The housing sector has continued to fare well through turbulent economic times. In all regions, the health of the broader economy depends on Canadians having access to the housing they need, in stable, secure markets. The federal government can do much within its jurisdiction to support the housing as a foundation of inclusive economic growth.

## CHBA Recommendations for Budget 2017

### *Help All Canadians Prosper Through Increased Housing Affordability*

Measure:	Canadians	Businesses	Communities	Affordability	Jobs & Innov.	Energy Eff. & Underground Economy
<b>Support Improved Access for First-Time Home Buyers</b>	✓	✓	✓	✓	✓	

A range of cost-effective federal measures can facilitate increased access to home ownership by Millennials and New Canadians. Today’s hard-working Canadians—especially our young people—should have the same chances to fulfill their dream of ownership as previous generations. Moreover, in doing so, they will free up accommodation for those who want to continue to rent.

Several measures have a proven track record stretching back decades in supporting access to home ownership by well-qualified first-time home buyers. Indeed, the main public policy purpose of federal mortgage loan insurance since World War II has been to facilitate access to housing credit by middle-class Canadian households.

It is essential to strike a balance between appropriate rules and oversight to protect taxpayers against severe macroprudential risks, and restrictions so extensive that they completely lock out first-time home buyers. The latter cannot be the shock troops of global economic uncertainty. They are the future of healthy housing markets over the longer term.

Specific measures can be implemented without generating undue risks, including support via the Home Buyers Plan, insuring mortgages based on low down-payments (i.e. 5%) for entry-level housing, and returning to 30-year amortization periods for well-qualified first-time buyers of homes priced under \$500,000.

To help those seeking to join the middle class, programs to offer equity financing can potentially provide a “hand-up” to those who are willing and able, but who would otherwise be permanently locked out of ownership. Proven models are already in use on a pilot scale in various parts of Canada; they should be considered for broader deployment. These include shared-appreciation mortgages; loan insurance for joint mortgages; rent-to-own arrangements, and more.

Measure:	Canadians	Businesses	Communities	Affordability	Jobs & Innov.	Energy Eff. & Underground Economy
<b>Remove Tax-Related Glitches that Inhibit New Rental Production</b>	✓	✓	✓	✓	✓	✓

Affordable market-based rental stock offers Canadians housing choices that do not rely on ongoing public subsidies. It is essential to make new rental production initiatives introduced in Budget 2016 work effectively. CHBA is already engaged with CMHC and other stakeholders to support this.

Two modest *GST-related* revisions are also required. Current rules for determining GST on accessory suites such as granny flats and laneway housing discriminate in favour of those with family ties to the owner of the main unit. This new form of affordable infill rental housing should not be stymied by a federal tax policy glitch.

In addition, detailed rules for determining new rental property values upon which to base GST also discriminate against new “purpose-built” rental developments. They are valued as if they were condominiums. Instead, valuations need to be based on actual project costs plus profit. This change will increase certainty for new rental investment, facilitate the 2016 federal initiatives, and thereby increase market-based rental supply.

Measure:	Canadians	Businesses	Communities	Affordability	Jobs & Innov.	Energy Eff. & Underground Economy
<b>Home Energy Retrofit Programs &amp; EnerGuide Ratings</b>	✓	✓	✓	✓	✓	✓

Though the housing sector has already made a substantial contribution to national climate change objectives, there remain opportunities to continue this trend, but this must (and can) be done without damaging affordability. By far the largest opportunity lies in retrofitting existing homes, and this can be very cost effective. A dollar invested in improving energy efficiency of existing homes will yield four to seven times more GHG reductions than the same level of investment in a new home.

CHBA therefore recommends that a revamped ecoEnergy Retrofit Homes Program be implemented, preferably as a permanent, refundable renovation tax credit, using the EnerGuide Rating System, to complement provincial and territorial home energy retrofit programs. Such federal-provincial partnership increases affordability via operating cost reductions, and fight the underground economy—programs that require homeowners to get receipts have had major impacts in reducing illegal cash deals in renovation.

To promote home retrofits, consumer energy literacy must improve. More value needs to be placed on the “invisible” energy efficiency of homes. The government’s EnerGuide Rating System for homes should supported more and promoted as the single, standardized national system for rating and comparing home energy performance. Like nutrition labels on food packaging, this will “nudge” appropriate consumer behaviour, support informed decision-making by buyers, and lead to both energy retrofits and market-driven cost-effective increased energy performance in new housing.

Finally, CHBA members stand ready to work actively with social housing providers to implement comprehensive retrofits of over 550,000 older non-profit, co-operative and municipal units. Over \$110B in affordable housing assets built up over decades through federal financing and subsidy expenditures can be leveraged, both to extend the life of existing stock and to add to it. Private investment funds and energy service companies are willing to contribute to this joint venture as well.

### ***Helping Businesses Contribute to Inclusive Economic Growth***

Measure:	Canadians	Businesses	Communities	Affordability	Jobs & Innov.	Energy Eff. & Underground Economy
<b>Innovation through R&amp;D for productivity and better houses that cost less</b>	✓	✓	✓	✓	✓	✓

Housing has achieved significant quality, energy and other improvements through innovation and joint government-industry R&D over the years. This legacy of innovation – building better houses for the same or less cost – is being undermined by reduced government support for building science and technical research in recent years. R&D has long been a core element of the federal role in housing, and has supported housing innovations that benefit individual Canadians, their communities and the

environment. As housing technology becomes more complex, lack of support for R&D can also pose serious consumer risks.

It is therefore essential for the government to reinvest in Canada Mortgage and Housing Corporation, the National Research Council and Natural Resources Canada in collaboration with industry, to build better houses for less.

Measure:	Canadians	Businesses	Communities	Affordability	Jobs & Innov.	Energy Eff. & Underground Economy
<b>Support Socio-Economic Housing Research, Data Gathering and Analysis to Improve Decision-Making</b>	✓	✓	✓	✓	✓	

Canada can no longer “fly blind” when it comes to changes underway in housing markets, demographics and society. Key data to answer urgent questions posed by policy-makers are often lacking in Canada. The federal government should invest more in indicators and analysis to shed light on housing sector dynamics. Statistics Canada and CMHC need to be resourced accordingly.

Measure:	Canadians	Businesses	Communities	Affordability	Jobs & Innov.	Energy Eff. & Underground Economy
<b>Support Skilled Trades and Inter-Provincial Harmonization of Standards</b>	✓	✓	✓	✓	✓	✓

The residential construction industry faces a looming labour shortage, with 118,000 skilled workers retiring over the next decade. Promoting careers in the skilled trades, training, and productivity advances will ensure that the residential industry remains a healthy economic engine for Canada.

Economic growth depends on labour mobility as well as labour supply. Labour shortages only increase regional price pressures. Skilled tradespeople and businesses must be able to work efficiently in multiple jurisdictions as regional economies shift and realign. To increase labour mobility and flexibility, the federal government should support Canadians pursuing all types of skilled trades, opening up training support to those pursuing a career beyond Red Seal trades, and boosting employer-led training and immigration programs.

Harmonized codes, standards, and trades qualifications all increase productivity and reduce construction costs. To support harmonized standards and the development of the National Building Code, the Canadian Code Commission requires added investment, as well as support for research to address the cumulative impacts of regulations on housing affordability.

**Helping Communities Prosper and Support National Economic Growth**

Measure:	Canadians	Businesses	Communities	Affordability	Jobs & Innov.	Energy Eff. & Underground Economy
<b>Support Transit-Oriented Development and Complete Communities</b>	✓	✓	✓	✓	✓	✓

The federal funding committed in Budget 2016 to core infrastructure projects is critical to Canada’s future community prosperity. Strategic infrastructure investment can also expand housing affordability by opening up new areas for fully-serviced development and reducing pressures to raise development-related taxes on new construction (now totaling over \$6B annually).

To ensure that Canadians get maximum benefit from federal infrastructure investments, implementing authorities need to increase densities along transit corridors and at nodes. *National economic growth and climate change objectives depend on this outcome being achieved on the ground.* Federal data, information, and analysis is required to support decision-making and contribute to this outcome and also to measure efforts to close the “public infrastructure gap” over time.

To support affordable residential development with ready transit access, federal land-write-downs for family-oriented housing should be offered to support mixed-income, mixed-use, complete communities.

In addition, the federal government can help Provinces counter “Not-in-My-Backyard” opposition to mixed-income development through public education. A National Housing Strategy should include a “new neighbours” campaign to increase acceptance of new developments geared to first-time homebuyers and purpose-built rental developments.