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Canadian
Home Builders'
Association



Association canadienne
des constructeurs
d'habitations

Opening Remarks to Housing of Commons Standing Committee on Finance - Pre-Budget Consultations

September 28, 2016

CHBA President Bob Finnigan:

Thank you. I am the president of the association and a builder-developer from Toronto. I will lead off and then pass the mic on to our CEO, Kevin Lee.

Our industry has been a major source of stability for Canada's economy over the last decade. This needs to continue.

Residential construction supported over 1 million jobs; paid 58 billion dollars in wages; and generated over 128 billion dollars in economic activity in 2015, including over 41 billion in government revenues.

Home building and renovation is a vital part of every community, large and small, so effective housing policy is key to supporting Canadians, businesses and communities in achieving inclusive economic growth.

To do this, we need to address a number of challenges:

- We must improve housing affordability for those in the middle-class and those who aspire to join it;
- We must reduce greenhouse gas emissions through energy retrofits while curbing the underground economy;
- We must encourage and support those pursuing skilled jobs in our industry, and the R&D that will bring innovation and increased productivity; and,
- We must ensure that federal infrastructure and transit investments support housing affordability and the development of complete and inclusive communities.

Today, I want to focus on the most pressing issue facing our industry, facing Canadians, and facing the government – housing affordability.

I see the real impact of this everyday in my business, as young families realize that the modest home that they dream of owning is simply beyond their financial reach.

Hard-working Canadians – especially our young people – must have the same opportunity to fulfill their dream of homeownership as previous generations.

While our homes provide shelter and connect us with our communities, they also account for more than 4 trillion dollars of Canadians' equity and savings - 3 trillion of which is owned outright.

CHBA is pleased that the Minister of Finance and the Minister of Families, Children and Social Development are looking closely at housing markets to determine the true causes of house price escalation in our largest cities.

Understanding the complexities involved is essential for smart and effective policy that avoids destabilizing markets.

It is critical to recognize that, in the face of growing demand for housing, many current government policies limit supply and drive up house prices in other ways.

It is encouraging that the federal Ministers are seeking the collaboration and involvement of municipal and provincial governments in their work.

Such three-way collaboration is the only route to real solutions.

Kevin will now outline some of the specific actions we recommend, to move this process forward.

CHBA CEO Kevin Lee:

The federal government can take immediately steps to improve housing affordability and contribute to the prosperity of middle-class Canadians:

- First, Canadians must get the maximum benefit from infrastructure and transit investment.

To this end, the federal government should encourage its government partners to mandate appropriate densities along transit corridors and nodes, and the federal government needs to offer land write-downs for family-oriented housing in mixed-income, mixed-use, complete communities.

- Second, to assist first-time home buyers, federal housing policy should support both stability for housing markets and access to homeownership.

Macro-prudential rules, that guard against financial system risks, must not lock-out well-qualified first-time home buyers.

Specific measures include support via the Home Buyers Plan, the continued availability of 5% downpayment mortgages, and provision of 30-year amortization periods for well-qualified first-time buyers of homes priced under \$500,000.

Shared appreciation mortgages are another tool that should be explored to increase access to homeownership.

Supporting first-time home buyers is the key to healthy housing markets, and a growing, inclusive economy.

- Third, market rental housing is an important part of the housing spectrum and modest revisions to how GST is applied would remove barriers to new market rental production.

GST on new “purpose-built” rental developments is based on final value, as if they were ‘for sale’ condominiums, but should be based on actual project costs plus profit.

Also, the current arbitrary application of GST on secondary suites discriminates between attached and detached units, and favours renters who have a family tie to the owner. This makes no sense.

Secondary suites are an innovative form of affordable infill rental housing favoured by many municipalities and should not be stymied by a federal tax policy ‘glitch’.

- My final comment concerns the need for a renewed home energy retrofit program, to benefit the environment, improve existing homes and help Canadians save money.

In terms of climate change, housing is a Canadian success story. We have 38% more houses in Canada than we had in 1990, and even with this, total residential emissions are down 11%.

This has not come about through codes, but from ongoing innovation and voluntary improvement, supported by industry and government R&D collaboration.

Moving forward, we will continue to build homes that are even more efficient, but more stringent codes that reduce affordability are not the answer, because new housing is not the problem.

The largest GHG opportunity lies in retrofitting existing homes. A dollar invested in an existing home will yield four to seven times more GHG reductions than the same level of investment in a new home.

A permanent, refundable energy-retrofit renovation tax credit, using the EnerGuide Rating System, will most effectively address the government’s climate change goals related to housing.

And by requiring homeowners to get receipts to qualify, our research suggests reduced underground economy activity can make such a program cost neutral to government.

I’ll leave it there. Bob and I would be happy to answer any questions about these or other recommendations from our more detailed pre-budget submission.