



April 3, 2020

The Honourable Bill Morneau  
Minister of Finance  
Department of Finance Canada  
House of Commons, ON K1A 0A6

RE: Calculating lost revenue under the Canada Emergency Wage Subsidy Program

Dear Minister:

On behalf of the Canadian Home Builders Association (CHBA), I would like to thank you and your government for your leadership during this difficult time. We welcome the supports that are being put forward to support Canadians and Canadian businesses to address the impacts of COVID-19.

While the announcement of the Canada Emergency Wage Subsidy program (CEWS) offering a 75 per cent wage subsidy for qualifying businesses and not-for-profits was certainly welcome, the nature of the initially announced criteria does not work for most of the businesses in residential construction. These businesses are suffering greatly from the impact of Covid-19 and many will accordingly have to lay off workers imminently. Many have started already. The residential construction industry, in normal circumstances, creates 1.2 million jobs, pays \$76.9 billion in wages, and generates \$160.8 billion in economic activity in Canada.

In order to help the CEWS have the greatest possible impact on all suffering businesses and employees, CHBA recommends offering an additional option on how to calculate lost revenue in a manner that can help ensure that companies suffering in residential construction (whose revenues are seasonable and highly dependent on closings) and other similarly affected industries with inconsistent revenue are able to receive the CEWS. This will help keep their employees whole during this time and allow them to remain ready to work in support of Canada's economic recovery when the time comes.

The current proposal by the federal government is to have eligibility be determined by the change in an eligible employer's one-month-period revenues compared to the same period last year.

The business models in the residential construction sector vary considerably, and revenues, by the very nature of the business, can change significantly month-to-month and year-over-year. Given the business model, **CHBA recommends that the federal government allow residential construction companies – including developers, builders, renovators, and ancillary services that are tied to homebuilding - to attest that their actual revenue, sales and/or contracts accepted for March, April and May 2020 have declined by 30 per cent or more as a result of Covid-19 actions compared to their substantiated projected revenue, sales and/or contracts accepted that would have occurred without Covid-19.** This would be based on factors such as prior sales, prior months' distribution of revenue, prior revenues "allocated" to the current period to cover costs, proformas, sales/business trends, and other similar documentation.

Covid-19 and the necessary actions to protect Canadians have slowed sales and deposits, led to the cancellation of previous deposits, resulted in withheld progress payments, slowed inspections and trades

work, and indefinitely delayed project closings. It has also led to cancelled or delayed renovation projects. This creates a situation in which cash flows are deteriorating quickly and lay-offs are happening or imminent. The situation is largely independent from whatever the revenues were taken in last year at this time of year.

As currently calculated, the CEWS will help many Canadian businesses with more consistent year-over-year revenues, however, without additional options for calculating the eligibility for the subsidy for the residential construction sector, the all-important employer-employee link will be broken as more workers are laid off than necessary, putting added pressure on the Canadian Emergency Response Benefit and the employment insurance system.

CHBA would also recommend that the federal government consider other simplified ways that companies can demonstrate financial hardship, especially where work has stopped as a result of provincial order. The salaries of those employees should be eligible for the subsidy, as efficiently as possible. Doing so will avoid layoffs and breaking the important employer-employee relationship as a result of a work stoppage and help ensure EI and the Canada Emergency Response Benefit is available to those who really need it.

In order to demonstrate the reality currently faced by many businesses in residential construction and the benefit a change in the calculation could have, we offer the example below:

*Sally and Dave run a builder/developer company in Southern Ontario. In March 2019, they were in mid-construction of Phase 1 of their new development. The purchases of the homes were made in 2018, which means they had little cash flow in March 2019, and were relying on financing and progress payments to keep moving the work forward. The project closings were not scheduled to happen until late 2020 or early 2021.*

*Starting in late 2019, they opened sales for Phase 2 and made some sales. However, as the Covid-19 pandemic advanced, they lost 50 per cent of their Phase 2 sales. At the same time, buyers in Phase 1 have been delayed or even had to back out of their progress payments. These factors have led to a more than 50 percent drop in revenue in March and April 2020, compounded by slowdowns in all construction activity to respond to the Covid-19 crisis and reduced their revenue considerably compared to what would be normal in this scenario at this time. Revenues in March and going forward is considerably less than what is needed to run the business and employ the workers on the project now. Workers employed on Phase 1 will have to be laid off now, and any work planned for Phase 2 will not proceed, with sales staff laid off. There has been a clear and direct loss of revenue and loss of employment as a result of Covid-19 at this company. Unfortunately, when compared to revenues in March and April 2019, it would be difficult to demonstrate that revenue has been "lost", as the progress of Phase 1 and the timing of the launch of Phase 2 resulted in a planned low revenue period this time last year.*

However, if Sally and Dave can attest and demonstrate that they have lost 30 per cent or more of the revenues needed to keep going now, instead of comparing their current needs to the state of their revenues last year, we can reduce the impact of Covid-19 on them and the sector across the country. Allowing them, and others like them to be eligible will help Canadian businesses survive, support workers who will otherwise end up on EI or the CERB, will maintain important employer-employee ties that will be essential in a recovery period, and help ensure that Canadians will have access to housing they need in the near future.

Again, CHBA recognizes the unprecedented steps being taken to support Canadian businesses and workers during this situation. Our recommendations are offered in the hope we can together keep the residential construction sector as strong as possible, and ready to drive Canada's economic recovery in the near future.

If you have any questions, please ask your staff to contact me or Alana Lavoie, Senior Director, Policy & Government Relations, at 613-230-3060 x 242 or [alana.lavoie@chba.ca](mailto:alana.lavoie@chba.ca).

Sincerely,



Kevin Lee, P.ENG., M.ARCH.  
CEO, CHBA

c.c. The Honourable Mary Ng, Minister of Small Business, Export Promotion and International Trade

The Honourable Carla Qualtrough, Minister of Employment, Workforce Development and Disability Inclusion

The Honourable Jean-Yves Duclos, President of the Treasury Board

The Honourable Ahmed Hussen, Minister of Families, Children and Social Development