



November 18, 2020

The Right Honourable Justin Trudeau, P.C., M.P.
Prime Minister of Canada
Office of the Prime Minister
80 Wellington Street
Ottawa, ON K1A 0A2

**RE: Meeting Canadian's Housing Needs, Canada's Climate Goals and Shared Priorities
Outlined in Speech from the Throne**

Dear Prime Minister Trudeau:

On behalf of the Canadian Home Builders' Association (CHBA), we appreciate the strong, productive relationship we have had with your government through the COVID-19 pandemic, and our work together to improve the design and delivery of the federal emergency relief measures. The measures are helping many in the residential construction sector, from builders and developers to renovators, bridge through the crisis and scale up activity as their jurisdictions allow.

CHBA welcomed the announcements in your government's recent Speech from the Throne that several key relief measures will be extended and expanded to support businesses and their workforces through the ongoing COVID-19 pandemic and into recovery. CHBA is following Bill C-9 closely and looks forward to working with the appropriate Cabinet ministers to ensure these programs meet our member businesses' and their workforces' needs as the crisis evolves.

The Speech also offered hope that there will come a time when the immediate health risk from COVID-19 will be overcome, and we will turn our full attention to pressing issues facing our country. When we do, there will be an opportunity to take what we have learned this past year and make changes to how we do things to ensure we come out stronger and more resilient. In terms of housing, as was noted in the Speech, we wholeheartedly agree it is something everyone deserves and that having a home that meets Canadians' needs is critical for them to contribute to their communities and the economy. In recovery, we have an chance to build a housing system that supports all Canadians from the most vulnerable in our society, to aspiring first-time buyers, to new Canadians looking to establish roots in their chosen communities, to seniors who want to stay where they feel safe and supported. It is also an opportunity to build the Canada of tomorrow, tackling greenhouse gas (GHG) emissions and improving the energy performance in Canada's housing stock—helping track towards Canada's climate goals, while offering Canadians energy savings and added comfort.

Status of the Sector

As the Speech from the Throne acknowledged, housing is a key driver of the economy and job creator. In 2019 the residential construction sector was the source of 1,328,661 jobs—serving as

one of the largest employer sectors, providing \$83.1 billion in wages, \$142.6 billion in built investment¹ and generating spin-off activity across a range of other sectors of the economy.

Early in the crisis, the residential construction sector was able to avoid large job losses because it was deemed an essential service across most of Canada. While it experienced heavy losses in April, that was followed by an initial recovery in May, and a steady climb through to August. According to the latest Labour Force Survey from Statistics Canada, employment in construction writ-large remained little changed for the second consecutive month in September and was down by 120,000 (-8.1%) compared with its pre-COVID level, largely reflecting broader economic uncertainty². Residential construction activity has also steadily increased as evidenced by the total value of building permits issued and housing starts. However ongoing systemic efficiency issues, including issues in the supply chain for lumber and other inputs, continue to impact construction timelines, costs and threaten housing completion rates. According to CHBA members, lumber shortages and product price escalations are adding \$10,000-\$15,000 or more to the price of the average single-family home and have caused some builders to pull building lots of the market because they cannot confidently price homes that will not be built for another year or two. The sector has worked hard to regain lost ground, but initial disruptions and any further shocks may have lasting impact on housing supply and affordability.

Real estate activity has rebounded with a combination of significant demand from both those in the market pre-COVID and those whose needs have changed amid the pandemic and low interest rates. These factors coupled a lack of supply in many areas, particularly of ground-oriented and missing-middle homes is driving prices to record highs, especially in and around Canada's larger cities. Even outside the larger urban areas, there are pressures on housing supply and affordability as more flexible work arrangements and other responses to COVID-19 contribute to migration and evolving consumer preferences. There is no one-size fits all solution to address affordability.

Many current homeowners are undertaking renovations to adapt their living space to a host of new roles—gym, school, office, etc. This is generating significant economic activity in communities across Canada, but also adding to the challenges of securing construction inputs and inflating their costs. As with any economic downturn, we are concerned about the underground economy. According to the latest Statistics Canada report, underground economic activity amounted to \$61.2 billion in 2018, which is approximately 2.7% of total GDP.³ Residential construction represents the largest share of underground activity at 26.2%.⁴ This has major implications for legitimate residential construction businesses who play by the rules and all levels of government who are losing out on revenue.

Housing Affordability

CHBA, 2020. Residential Construction in Canada: Economic Performance Review 2019 with 2020 Insights. Accessed November 1, 2020 from <https://www.chba.ca/CHBADocs/CHBA/HousingCanada/Information-Statistics/Impacts/2019-2020-Residential-Construction-Economic-Performance-Review-CHBA-web.pdf>

² Statistics Canada, 2020. Labour Force Survey, September 2020. Accessed November 1, 2020 from <https://www150.statcan.gc.ca/n1/en/daily-quotidien/201009/dq201009a-eng.pdf?st=GwCD4RNF>

³ Statistics Canada, 2020. Residential construction remained the top contributor to underground activity in 2018. Accessed November 1, 2020 from <https://www150.statcan.gc.ca/n1/daily-quotidien/201023/dq201023a-eng.htm>.

⁴ Ibid

CHBA was pleased to see commitments to helping more Canadians access homeownership, in the Speech from the Throne, although we would caution against over-relying on the First-Time Home Buyer Incentive to do so. While CHBA supports the concept of shared-equity mortgages, our analysis of the program, shared with Minister Hussen earlier this year, shows it simply is not creating homeowners out of Canadians who would not have been otherwise able to enter the market on their own accord. It may be helping some lower their mortgage payments but is not improving market access. This program alone will not be enough to overcome barriers facing first-time buyers, and that contribute to the widening wealth inequality gap.

As your government continues to advance towards a stimulus and recovery plan, we are asking that you take this opportunity to rethink Canada's housing ecosystem, scaling up residential construction where it is needed to keep Canada competitive and boost the quality of life in our cities and communities, and leverage the mortgage and mortgage insurance system to provide more affordable and equitable access to homeownership.

To that end, CHBA recommends that the federal government:

1. Undertake a thorough review of the existing mortgage system before implementing any macroprudential or policy changes that could further disproportionately impact first-time buyers, and consider how to create more equitable pathways to the financial and personal benefits of homeownership.
2. Stimulate the construction of new owner-occupied housing supply which will help to restore balance in real estate markets and stabilize prices, while also alleviating pressure on supply in rental, affordable, transitional, and emergency housing. Reactivating healthy movement across the housing continuum can support a range of housing needs and aspirations.
3. Work with all levels of government to maximize housing stimulus outcomes by streamlining approval, permitting and inspection processes, making available more serviceable land and reviewing the charges and fees that are being passed on to homebuyers.

Investments and policies that work to increase housing supply and improve affordability across the housing continuum can drive economic growth and competitiveness, strengthen the resilience of Canada's communities and tackle urgent human needs in housing in a collaborative and transformative way. The residential construction sector stands ready to engage and deliver, as was evidenced by our recent input through CMHC into the design of the modular housing component of the recently announced Rapid Housing Initiative. Leveraging the innovation and experience of industry to tackle a range of housing issues across the continuum can yield timely and tangible outcomes that help us house more Canadians

Expanding Housing Opportunities and Choice for Seniors

Canada's seniors have emerged as a vulnerable demographic, impacted by the virus itself and the health, safety, and socio-economic impacts of isolation. For many, the troubling conditions in long-term care homes, which have been a factor in 82% of all COVID-19 deaths, have made them anxious to find ways to stay in their own homes and communities longer. Helping them age-in-place, in the homes and communities they value and feel supported in, is a priority we share.

CHBA has been advancing our work in this area for some time, and understands that aging in place successfully will require ensuring that seniors and their families make the right adjustments to their homes to allow them to age comfortably and safely, have access to trusted and competent

professionals with the tools to get it done right and support so they can make necessary changes more affordably. To that end, CHBA recommends:

1. Complement the Home Accessibility Tax Credit with a general renovation tax credit to ensure all seniors who want to stay in their homes or a home-setting and their families can make the often extensive modifications required to do so safely.
2. Invest in upskilling professionals across the construction, health and social service sectors to help seniors and their families make informed housing decisions and deliver the proper solutions.

Recognizing the needs of this portion of the sector, CHBA formed a Home Modification Council to support renovating for aging-in-place, and has begun development of a new program to train and create a network of qualified contractors with specific expertise in aging-in-place construction and technology that can help seniors and their families who are looking to stay in the houses and communities they call home. CHBA has also been investigating other creative housing options, including secondary suites, lane homes and multi-generational housing, that could give seniors, and indeed all Canadians, more choice, and opportunities to address evolving and diverse housing needs

CHBA has been in contact with Minister Schulte about accelerating the development and deployment of CHBA's programming and looks forward to helping more seniors with their current and evolving housing needs.

Building Back Greener

The Speech from the Throne also committed to a green recovery, including through climate action targeting improvements to our built environment. CHBA recognizes the need and opportunity to address GHG reductions in Canada's housing stock, but cautions that broad adoption of energy-efficient technology can only be successfully achieved through innovation, better consumer energy literacy and government and market incentives for energy retrofits. Regarding new construction, it is important that increased stringency in codes and regulations not increase housing costs, especially amid the ongoing housing affordability and health crises. To that end, CHBA recommends:

1. Avoid adding excessive costs through code/regulation that will impact housing affordability in Canada, at a time when home is more important than ever, and rather focus on innovation to bring down costs and scale up use first.
2. Introduce a permanent Renovation Tax Credit for Energy Retrofits using the EnerGuide Rating System (ERS) to incent voluntary actions by Canadians, as they can afford, to improve performance of Canada's existing stock and Canadians' energy literacy as it relates to housing.
3. Based on our experience in net-zero construction, we recommend offering deeper consumer incentives for net-zero and net-zero ready to make this standard of housing construction more affordable to more Canadians, while the industry works to bring down construction and material costs. The current proposal of \$5,000 is unlikely to be sufficient enough to compel Canadians who otherwise were not considering a net-zero home.

The surge in home renovations over the past several months demonstrate Canadians are willing to invest in their homes, but they need expert guidance and financial support to get them on a path

to better efficiency and complete the deep retrofits needed to make real progress on federal climate goals. They also need to be guided to professional contractors rather than those working under-the-table jobs that are risky for homeowners and cost legitimate businesses and all levels of government billions in lost tax revenue. CHBA is a strong advocate of tax credit programs versus loans because they require homeowners to get receipts for renovation work - a proven method for reining in underground activity. Previous home renovation and energy efficiency retrofit tax credits have been popular—far exceeding original targets and diverting significant (hundreds of millions of dollars) activity back “above ground”.

With ‘home’ more important than ever, we have a unique opportunity now and into recovery to accelerate construction to catch up on our housing supply, better meet the needs of all people living in Canada, and generate much needed jobs and economic activity. We also have an opportunity to reinvigorate relationships to solve housing challenges through collaboration across government, CMHC, housing stakeholders, and industrial sectors, build back better and create a stronger, more resilient Canada.

We look forward to working with you to address these and other issues that may arise as we continue down an uncertain path toward recovery. I would welcome the opportunity to discuss what I have presented further with your staff and to your appropriate Cabinet Ministers and their offices. In the meantime, if you have any questions, please ask your staff to contact Nicole Christy, Manager of Government Relations, at 613-230-3060 x 241 or nicole.christy@chba.ca.

Sincerely,

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

CC The Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance
 The Honourable Ahmed Hussen, Minister of Families, Children and Social Development
 The Honourable Deb Schulte, Minister of Seniors
 The Honourable Seamus O’Regan, Minister of Natural Resources
 The Honourable Jonathan Wilkinson, Minister of Environment
 Adam Vaughan, Parliamentary Secretary to the Minister of Families, Children and Social
 Development (Housing)