

**2021-05-20 Kevin Lee, CEO, Canadian Home Builders' Association**

**Opening Remarks to the Standing Committee on Finance**

Thank you, Mr. Chair.

For the residential construction sector, building back better is something we do every day. As we look towards recovery from COVID, several things are clear. A home is more important than ever to Canadians—and we've seen that, through the extensive activity in renovations, new construction, DIY activity, and home resales. Through these challenging times, Canadians have looked to their homes to be their workplaces, classrooms, gyms, places to relax, and, hopefully for most, places to feel safe. And new construction and renovation are providing much needed jobs and economic activity during economic recovery.

When we talk about housing these days though, of course top of mind is affordability both in the cost of housing, and in the cost of materials, particularly lumber, and more supply is the key to both.

Starting with affordability, a housing supply lens is required to truly address escalating prices—this was the case prior to COVID, and the pandemic has accentuated it further. There is much that can be done, through concerted efforts of all levels of government, to increase that supply, and there are important leadership levers available to the federal government to help make that happen.

At the same time, while it may be tempting to try to cool the market with demand-side measures, such activity only creates pent-up demand and limits supply. Band-aid demand-side measures cause rapidly increasing house prices when conditions change and demand again outstrips supply, like we are seeing now. And the use of

blanket macroprudential or policy changes that could further disproportionately impact first-time buyers, in the absence of sufficient action on new housing supply, will only exacerbate the problem.

As OSFI considers changes for uninsured mortgages, it is important that consideration of any such changes by the Department of Finance to the insured mortgage stress test be approached with caution. First-time buyers, who are extremely well positioned financially and very low risk, would be locked out through such measures, further building up pent-up demand and crowding the rental stock. Before any measures are introduced for insured mortgages, there should be a thorough review of the existing mortgage system through a lens of fairness and access for first-time homebuyers. Other adjustments, like longer-term 7- or 10-year mortgages, as encouraged by the Bank of Canada, and 30-year amortization periods for first-time buyers, would be better routes in the insured mortgage space.

On the supply side, the federal government should use its financial and suasion levers to encourage and support provincial and municipal government efforts to streamline permitting and approval processes to speed up construction, reduce project financing costs and get more housing supply online faster. It should provide leadership through CMHC on the key challenges to new construction: zoning restrictions, density limits, process delays, and very importantly NIMBYism (including not just social but market-rate housing). CHBA was pleased to see support in the budget for conversion of commercial space to residential, and further recommends a conversion guide for such retrofits to support those efforts.

CHBA was also pleased to see the expansion of the Rapid Housing Initiative, but recommends the extension of the timelines to better reflect true construction timelines, especially given supply chain volatility. Also, the success in cutting through red tape of the RHI, shows that federal leadership of a similar type could also be used to accelerate market-rate housing supply too.

Also related to supply, CHBA is pleased to see emphasis by the government on skilled workers and apprenticeships – with labour shortages already a challenge and some 22% of the construction workforce set to retire over the coming decade, getting more young Canadians into the industry is essential.

With respect to lumber, industry and consumers are currently incurring tens of thousands of dollars in cost increases for new homes, negatively affecting builders with contracts already in place, challenging the viability of projects and even businesses, and further deteriorating affordability for consumers. Closing times on new houses are also now delayed across the country by an average of 6 weeks due to material shortages, according to a recent survey of our members. Builders and developers are now starting to pull back on housing pre-sales and starts due to material price volatility and supply concerns. This will only further add to the housing supply shortage. The federal government needs to investigate all issues related Canadian lumber supply and potential solutions to ensure a reliable and increased supply within Canada now and in the future.

Finally, with respect to energy efficiency and climate change, CHBA is pleased to see the support being provided to energy retrofits. The Greener Home initiative grants and support of energy advisors, plus the addition of the \$40,000 loan program, all based on the EnerGuide Rating System, will help make big strides

where there is the most to gain with respect to GHGs in the housing sector – the existing housing stock. And requirements of receipts will very importantly help fight the underground economy.

On the new construction side, CHBA continues to lead with its Net Zero Energy Housing council and home labelling program, which has now labelled over 600 houses across the country, and is leading the way in finding the best way to reach these levels of performance, while also addressing barriers to broader diffusion. At the same time, CHBA continues to caution against regulating higher levels in code before more affordable solutions are found, and encourages the government to invest more in innovation to do so.

Thank you for your time today. I look forward to answering any questions you may have.