

# GETTING BUILDING: AN ACTION PLAN FOR ECONOMIC RECOVERY IN RESIDENTIAL CONSTRUCTION

## Canadian Home Builders' Association Policy Recommendations Post COVID-19

Canadian  
Home Builders'  
Association



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# GETTING BUILDING: An Action Plan For Economic Recovery in Residential Construction

CHBA'S POLICY RECOMMENDATIONS POST-COVID-19

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Residential construction has long served as an important economic driver and source of high-quality and paying jobs for millions of Canadians, while creating ripple effects across a range of other industries. It has also historically been relied upon during economic recovery periods. When people purchase new homes or undertake renovations, they also tend to make other big retail purchases, including furniture and appliances, and contract a range of service providers. And residential construction of all forms—low-rise or high-rise, for ownership or rental, is a critical part of the economy and a key source of employment. Prior to COVID-19 the sector was contributing 1.3M jobs, \$83B in wages and \$142.6 B in economic activity to Canada's economy<sup>1</sup>.

As the federal government begins to shift towards economic recovery, the residential construction industry stands ready to get back to building the new housing stock Canadians need and renovating the existing stock to meet the evolving needs of Canadians and today's energy-efficiency and safety standards. But it will take some action by government to ensure the residential sector can operate as it should and be the solid part of economic recovery it has been in the past. We have solutions that can support the economy, the sector, and help support Canadians aspirations for a safe and secure home that meets their budget and their needs, while also supporting overall economic stability.

## Residential Construction Slows Amid COVID-19 Pandemic:

New construction has been able to continue operating to a degree in most jurisdictions throughout the crisis, but it is far from business as usual.

Sales of new homes have tailed off tremendously, which will have serious repercussions for companies in the months to come. Meanwhile, many renovation companies have slowed extensively or stopped operating entirely.

Residential construction companies that have been able to stay active continue to follow the latest guidance from public health authorities and taken proactive steps such as reducing or staggering shifts, reconfiguring workplans so trades are not in close proximity with each other and increasing on-site sanitation and sanitation facilities to keep workers safe and as they work to meet housing demand at a time when supply is at or close to crisis levels in many jurisdictions.

Further disruptions from delays in the permitting and inspections and materials have driven up costs and timelines, that will have long-term implications on housing supply and therefore affordability.

<sup>1</sup> Will Dunning Inc, 2019; Statistics Canada, 2019; CMHC, 2019

## SECTION 1: Providing Economic Stimulus Through New and Improved Housing

Many of the housing challenges faced by Canadians – including an ongoing need for new housing supply to drive affordability and ensuring that the housing available meets the needs of Canadians has not disappeared. Indeed, through COVID, the importance of home, and what that constitutes, has been brought even more to the forefront.

The recommendations below can help create the still much needed housing supply - the right kind of housing at the right time – and support renovations for the existing homes that have become so much more important than ever before. These measures will also allow a healthy residential construction sector to provide jobs, economic growth and investment as the country recovers, and beyond.

### Recommendations: Stimulus and Housing Supply

1. Support a resilient residential construction sector in the near term by exploring opportunities to increase cashflow as it seeks to continue operations and recover—especially for small- and medium-size businesses—by working with financial institutions to ensure access to flexible solutions to manage sales defaults, delayed closings, damaged sales cycles, credit needs and other financial challenges.

- a. Work with banking sector to ensure healthy cash-flow and liquidity in the financial system through recovery, to meet the credit requirements of businesses trying to stay afloat in the short-term and scale up construction over the longer-term. Utilize existing structures like BDC to support construction financing.
- b. Provide opportunities for businesses to defer interest payments on business and construction loans, by up to a year, while they rebuild from the financial challenges faced due to COVID-19.

2. Address the GST to incent activity and improve affordability. Lowering/eliminating GST is a very real reduction in cost to consumers that can spur activity (and GST on other related purchases) while also lowering the size of the mortgages they take on:

- a. Remove GST/HST on new housing to improve affordability, beginning immediately and through to December 31, 2021.
- b. Update and index the existing rebate program to better reflect current house prices. To do this, raise the eligibility threshold for the rebate to \$500 000, and implement the reduction for homes between \$500 000 and \$750 000. This is more reflective of current home prices, across a range of Canadian markets. The rebate should then be indexed to adjust annually to keep up to changes in house prices.
- c. Exempt the construction costs of new rental housing and costs of renovating rental housing from GST to reflect the fact that ongoing rental revenues do not benefit from input tax credits.

3. Introduce a home renovation tax credit for all types of home renovations for work performed after July 1, 2020 and completed before December 2021. Eligible renovations could include renovations or any enduring alterations to a building and should be stackable with the existing accessibility renovation credits, and any other renovation or retrofit tax credits or rebates introduced. This measure will stimulate economic activity, help Canadians adapt the most important place in their lives to their needs, and help protect against lost revenue due to underground economy activities. CHBA analysis has shown that the tax revenue generated from curbing underground economy activity can make this program near cost neutral.

4. Work with all orders of government to maximize infrastructure investments, align housing and public infrastructure, and work with local government to improve processes, to reduce government-imposed costs on new supply.



- a. Ensure that any infrastructure or supplementary funding received from provincial or federal governments to support municipal operations can also be used to offset development charges or other fees on development, in order to stimulate construction of new housing of all types. This measure will help lower up-front costs for builders and developers recovering from the pandemic, stimulate housing supply across the continuum, and help improve affordability for prospective homebuyers and renters. In some regions, total government-imposed charges from all levels of government account for as much as 25% of the price of a home. A soon-to-be released study for CHBA indicates that the municipal fees and charges alone can account for up to 13 per cent of the price of a home.
- b. Ensure any public infrastructure stimulus funding for provinces and municipalities focuses on core infrastructure and supports creating new or upgraded serviced land for housing – including new homes, infill, rental, and affordable housing. indexed to adjust annually to keep up to changes in house prices.
- c. Support provincial and municipal governments to streamline permitting and approval processes to get back to building needed housing quickly (and also reduce carrying costs through construction

## **SECTION 2: The Role of Mortgages in Affordability and Recovery**

Since the inception of the Canada Mortgage and Housing Corporation to rebuild Canada and house Canadians after World War II, the mortgage system and mortgage insurance has been a critical part of making housing affordable for Canadians. Indeed, the purpose of mortgages is to make homeownership accessible and affordable through stable long-term financing. Finding the right balance in mortgage rules to maintain stability while also supporting the needs of buyers and a recovering economy is essential. It is also important to enable those Canadians still in position to buy homes to do so, creating both jobs and vacancies in rental that others can fill—80% of newly available rental units each year historically come from renters vacating them to become first-time buyers<sup>4</sup>.

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<sup>4</sup> Pomeroy, S. and Lampert, G., 2017. CHRA, [https://chra-achru.ca/wp-content/uploads/2018/11/2017-12\\_background\\_dynamics-tenure-system\\_implications-nhs.pdf](https://chra-achru.ca/wp-content/uploads/2018/11/2017-12_background_dynamics-tenure-system_implications-nhs.pdf)

## Recommendations – Supporting the housing aspirations and needs of Canadians through the mortgage system

5. Restore consumer and builder confidence by bolstering the Canadian housing market through fiscally responsible measures that restart the housing continuum while still supporting financial stability. It is important to encourage and enable those well-qualified Canadians still in a position to invest in homeownership to do so, to their own benefit and that of the recovering economy. Residential construction and other housing market transactions are big job multipliers.

- a. Improve housing affordability, especially for first-time buyers, by giving them the option of 30-year amortizations for insured mortgages. 30-year amortizations are already available for uninsured mortgages. This measure will lower monthly costs for would-be homeowners, especially as they are in the early part of their careers, while still leaving them options to accelerate payments and reduce their amortization periods over time. This is a no-cost measure that in fact will bring in additional revenue through CMHC that can be used support housing measures across the continuum.
- b. Keep artificial barriers to homeownership low, as interest rates rise, by making the mortgage stress test more responsive to economic conditions, including moving forward with the previously announced change to the benchmark qualifying rate for insured mortgages as soon as appropriate. Also, work with OSFI to implement the same change for uninsured mortgage.
- c. Better mitigate risks for Canadians and financial institutions by incenting longer-term mortgages through a stepping down of the 200-point buffer on the qualifying rate for stress-testing mortgages the longer the term, including eliminating it altogether for 7- and 10-year terms. The Bank of Canada has recommended having more 7- and 10-year mortgages in the Canadian market,

and the financial situation of homeowners is typically much stronger after the 7- or 10-year period. With the reduced risks posed by homeowners at the end of 7- and 10-year terms, the stress test is a perfect vehicle to incent longer-term mortgages.

## SECTION 3: Driving Recovery While Advancing Other Essential Public Policy Objectives

CHBA recognizes the need and in fact is a leader in making progress on climate change, supporting our seniors housing needs (now more than ever), and helping to provide high-quality jobs for Canadians as the economy recovers and adjusts to this unprecedented event. The following recommendations will help the residential construction sector advance these important priorities with government, while also providing opportunities for economic activity and job creation.

### Recommendations: Driving Recovery While Advancing Other Essential Public Policy Objectives

#### Climate Change

6. Address climate change through targeted residential construction stimulus measures that offer strong economic benefits and help advance Canada's climate goals, including by reducing greenhouse gas (GHG) emissions, reducing operating costs for Canadians and shrinking the carbon footprint of Canada's existing housing stock.

- a. Introduce a permanent energy retrofit tax credit using the EnerGuide Rating System, (complementing the short-term stimulus broader renovation tax credit) to address GHG emissions in the existing housing stock and stimulate economic activity. CHBA estimates that such a program could be revenue-neutral or better from bringing underground economy activity above-board.

- b. Bolster the EnerGuide Rating System infrastructure to serve as the backbone to all federal energy-efficiency programs and work with provinces to adopt the system for their all provincial and utility incentive programs to improve coordination and outcomes.
- c. Avoid adding excessive costs through code/regulation – invest in innovation to find energy efficiency measures that don't reduce affordability; regulation should only come after affordable solutions are found—investment in innovation can accelerate the process.



## Support for Seniors

7. As Canadians begin to contemplate the full impact of COVID-19 on vulnerable populations, providing additional options for seniors to age-in-place will become increasingly necessary. CHBA has been advancing industry education and training, technological advancement and consumer information to help ensure that seniors who do pursue home modifications are able to access reliable, trained, and transparent experts to undertake those renovations. CHBA would welcome the opportunity to collaborate with the federal government to further advance these tools to support more choices for seniors. These activities also contribute to protecting vulnerable Canadians from fraud, and address issues around the underground economy.

## Skilled Trades

8. Help Canadians – especially those populations particularly hard-hit by job losses in other sectors due to COVID-19 into rewarding, high-quality and in-demand jobs in the residential construction industry.

- a. Continue to expand activities that promote skilled trades for young people and newcomers in the residential construction industry.
- b. Proceed with commitments made to invest \$100 million in skills training, to ensure there are enough qualified workers to keep up with energy audits, retrofits, and net-zero home construction, including through employer-directed training, to help businesses on-board and upskill new workers now and to respond to need.
- c. Invest in partnerships with employers and postsecondary educational institutions, especially colleges, to align with the shortages and future need in the residential construction industry.



## **Rebuilding Canada's Economy Together.**

As COVID-19 mitigation measures are gradually lifted in the coming weeks and months, Canadians will emerge with a new appreciation of “home” and what it means. There is no question we need more homes of all types (low-, mid- and high-rise), in the places Canadians want to live, in communities that can support them in times of need. For Canadians who want to stay in their homes and in their communities, opportunities to modify their homes to evolve to meet their changing needs, or to improve the energy efficiency of their homes to lower their energy bills bring both personal and societal benefits. These activities are important economic drivers and generate spin-off spending across many related sectors, that can help support Canada's economic recovery.

Housing choice and affordability is important and can have a direct impact on Canada's economic strength. Ensuring Canada can attract and retain the population and skills needed to continue to drive the country forward remains a key priority. Limited availability and high cost of housing, if out of reach for young people and newcomers, can make it difficult to meet the demand for both skilled and unskilled labour, new job-creating investments, and essential middle class workers – nurses, paramedics, teachers – to live and work in Canada's most in demand communities.

With Canada's economic recovery dependent on all industries working well, the residential construction sector is looking for federal leadership to create and maintain a constructive economic environment for residential construction and targeted stimulus and support that truly addresses housing affordability. Let's get building and rebuild Canada's economy together.

# About the Canadian Home Builders' Association

Canadian  
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Since 1943, the Canadian Home Builders' Association (CHBA) has been "the voice of Canada's residential construction industry." Representing one of the largest industry sectors in Canada, our membership is made up of some 9,000 companies – including home builders, renovators, land developers, trade contractors, product and material manufacturers, building product suppliers, lending institutions, insurance providers, and service professionals.

CHBA seeks a strong and positive role for the housing industry in Canada's economy and in the life and development of our communities. In addressing this goal, we support the business success of our members. We work to ensure Canadians have access to homes that meet their needs at a price they can afford to pay, and that the interests of home buyers and homeowners are understood by governments.

CHBA is a federal not-for-profit organization governed by an elected Board of Directors and a volunteer executive, supported by our professional staff. At the national level, our system of Committees and Councils brings together builders and industry experts from across the country to share information and ideas, and to formulate recommendations to governments to improve the quality and affordability of homes for Canadians.

## CHBA is leading the way with voluntary programming



### TACKLING THE UNDERGROUND ECONOMY

CHBA'S *Get It In Writing!* campaign informs homeowners about the risks of hiring someone for cash without a written contract. CHBA RenoMark™ renovators are committed to always providing a contract.



### NET ZERO HOME LABELLING PROGRAM

The Program provides the industry and consumers with a clearly defined and rigorous two-tiered technical requirement that recognizes Net Zero and Net Zero Ready Homes, and identifies the builders and renovators who provide them.



### HOME MODIFICATION COUNCIL

Connecting Canadians with qualified renovators to modify homes for aging in place (or people with disabilities).