

EXCESSIVE AND UNFAIR TAX ON TAX HURTS HOUSING

The 'tax pyramid' burden

In the news

THE WORLD OF HOUSING TODAY

SUMMER MP CAMPAIGN MAKES INDUSTRY'S CASE

FACE to face meetings have been held with a total of 40 Members of Parliament — including 19 in British Columbia and four in Ontario — as part of the CHBA's Summer MP Campaign, Campaign Chair, First Vice-President Joe Valela says. Manitoba held meetings with five MPs, and the Greater Ottawa HBA communicated with all Ottawa area MPs. Individual letters were also sent to MPs in B.C. and all seven in Newfoundland and Labrador. In addition, Valela says, major newspaper articles on campaign themes have been initiated by Toronto's Building Industry and Land Development Association — BILD. Valela says that, as in previous campaigns, the CHBA National Office prepared and distributed comprehensive campaign toolkits with all the material needed for effective MP communication. The campaign has been successful in getting the residential construction industry's key issues across to MPs. *Now see: Getting the industry message out to MPs — Page 6.*

RENOVATION MONTH

OCTOBER has been officially declared Renovation Month, and the CHBA's renovator members should be capitalizing on the annual consumer campaign, Canadian Renovators' Council Chair John Friswell says. The campaign theme this year is "Love Your Home: Talk With A Professional Renovator." A "tool box" of promotional information is available at www.chba.ca/RenoMonthGuide. Friswell says his Council thanked the Renovation Month sponsors Home Hardware Building Centre, RBC Royal Bank, Genworth Financial Canada, and Delta.

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NOVA SCOTIA INTRODUCES ONE-TIME NEW HOME CONSTRUCTION REBATE

THE provincial government in Nova Scotia has announced a one-time new home construction rebate equivalent to 50% of the provincial portion of its Harmonized Sales Tax. The goal is to stimulate the economy while creating and maintaining jobs for skilled trades people. Premier Darrell Dexter said construction is a major driver of the Nova Scotia economy. "This innovative program gives us an opportunity to create the jobs needed during this tough economic time," Dexter said. Home owners who have a municipal construction permit dated May 1 or later will be eligible for the rebate.

ON THE CALENDAR

The Fall meetings of the CHBA's Board, standing committees, and councils will be held at the Marriott Hotel in Ottawa Oct. 22 to 25.

The 21st annual Executive Officers' Council Professional Development Forum will be held at the Prince George Hotel in Halifax, N.S., Nov. 18 to 20.

The CHBA's 67th National Conference will be held at the Fairmont Empress Hotel in Victoria, B.C., March 5 to 7, 2010.



TAX pyramiding is a "significant" burden for new home buyers in Canada, a new CHBA study shows.

And it continues to grow, the study says.

It happens when one level of government imposes taxes on a price that already includes taxes levied by another level of government.

CHBA President Gary Friend says the report, "Tax Pyramiding In Canada: A Growing Concern," was commissioned to understand better some of the more negative aspects of current tax practices, and to expose their impact on new home buyers.

"In many ways, the taxes imposed on new home buyers are both excessive and unfair, and they play a significant role in undermining housing affordability," Friend says.

"Tax pyramiding is unfair and runs contrary to accepted tax principles. Quite simply, taxes should not be taxed."

Typical

Friend says a typical example of tax-on-tax pyramiding occurs when GST is applied to the selling price of a home — a price that already includes a number of taxes imposed by the municipality, ranging from development charges, to permit application fees, to land dedications. When GST is applied, the federal government generates revenue by taxing the taxes of another level of government, although no value has been added.

"With the pending introduction of a harmonized single Sales Tax in Ontario and British Columbia," Friend says, "the full impact of tax pyramiding will increase in those provinces, as has been the case with tax harmonization in Nova Scotia, New Brunswick, and Newfoundland and Labrador."

The new study says the practice of tax pyramiding has a significant impact on new home buyers. This results because the federal government and some provinces levy sales taxes on the price of a new home, which includes a wide range of municipal fees and charges.

Such pyramiding becomes particularly harmful when the total tax embedded in the



FRIEND: "The taxes imposed on new home buyers are excessive and unfair."

price of a new home pushes it above established rebate thresholds.

"When considered in conjunction with tax rebate thresholds," the study says, "tax-on-tax can result in marginal tax rates of more than 21%, depending on the final price of the house."

The study is very clear that tax-on-tax pyramid-

ing is not fair, as it fundamentally erodes tax transparency, destroys accountability, and leads to an unstable tax base.

The extreme

In the extreme, tax-on-tax pyramiding can significantly distort how the market functions, leading consumers to make purchase decisions

based on flawed tax policies, rather than on the basis of real value, or how best they can meet their housing needs.

In addition, tax-on-tax schemes contribute to an unstable tax base, as the provincial and federal government tax revenue is effected when municipalities alter their own housing-related taxes.

HST a 'massive' tax hike

HARMONIZING the federal GST with provincial sales taxes will have a significant negative impact on the residential renovation industry, a new report says.

The result in Ontario and British Columbia — which both plan to go the harmonized tax route — will be an increased tax burden of close to \$1 billion annually for home owners and rental housing investors.

"In short," the report says, "the HST proposals in the two provinces represent a massive tax increase on renovation activity."

The CHBA commissioned Altus Economic Consulting to look into the impacts of tax harmonization.

The report, "The Po-

tential Impacts Of Sales Tax Harmonization On The Residential Renovation Sector In Canada," is available in the Members' Area of the CHBA website.

It discloses that the proposed HST will increase the effective tax rate on contractor renovations to 8% in Ontario and 7% in B.C.

Reduce rates

It observes that the most effective and efficient way to ameliorate this impact and achieve tax neutrality is for the provincial governments to reduce the rate of the HST applied to contractor renovations.

In Ontario, the tax rate for residential renovation contracts should be 2.6% for the provincial component of the pro-

posed HST. In B.C., the rate should be 2.3%

The report also says that unless this action is taken, there will be a number of negative effects, including:

- **REDUCED** renovation activity, which will affect the economy and employment;

- **SHIFTING** contractor renovation activity into the underground economy;

- **UNDERMINING** government policies and programs to promote housing affordability and choice; and

- **REDUCING** the quality and maintenance of existing housing stock.

CHBA President Gary Friend urged members to share the report with their elected representatives.

CHBA publishes radon update

THE CHBA has produced a useful reference on radon for new home builders. The document, "Update on New Health Guidelines on Radon in the Home," provides information on how to locate radon specialists with credentials that are recognized by Health Canada as well as a list of other sources of information on how to test for and deal with unacceptable radon levels in the home. The report has been sent to renovator and new home builder members and is available from the CHBA website.

Health Canada is distributing printed materials and holding information sessions on the subject across Canada. Starting this fall, the department plans to launch a two-year survey of some 15,000 households to measure radon levels in existing homes. The department also continues to map the incidence of radon geographically, a process that will take several years to complete.

There will be a public consultation this fall on proposed changes to the National Building Code to be published in 2010. The proposal is to have a single set of radon-related requirements regardless of location and risk level. This is different from what had been proposed last November. Provinces may then adopt this approach or introduce more onerous requirements in areas of high radon risk.

The proposed National Building Code requirements include:

- An air barrier between the building envelope and adjacent soil. The existing requirements would be relocated in the Code to increase its prominence. The relocated provisions also include requirements for the sealing of all penetrations through the slab and below-grade walls as well as sealing the junction between the slab and the walls.
- A permeable layer of granular material (or equivalent) under basement floors.
- A four-inch pipe with one end buried in the granular material near the centre of the floor area that passes through the floor slab (not necessarily at the centre of the floor) and capped above the floor and labeled accordingly. The pipe is for an active mitigation system, should later testing show that it is necessary.
- Responsibility would fall to the homeowner to test for radon following occupancy.

Communicating with customers — The Committee says it would be prudent for builders to meet both the present and the future code requirements — particularly in areas known to have a high incidence of radon. New home builders and renovators have been advised to recommend that clients test for the presence of radon in their homes. This should be confirmed through a legal document such as by adding a clause in the standard contract with the home owner. Renovators and new home builders may wish to help their customers in getting this testing done. Test kits are available at many building supply retail stores. After the radon detector has been exposed in the basement of the home for at least one month after occupancy and preferably during the heating season, it is sent to a laboratory for analysis and the confidential results are sent to the home owner.

Alternatively, builders may wish to refer a home owner to a radon specialist. Health Canada recognizes the certification programs for radon specialists offered by the National Environmental Health Association and the National Radon Safety Board in the United States.



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Housing leads way on emissions

THE residential construction industry continues to make "significant" energy efficiency savings, a new study shows. And the result is that greenhouse gas emissions have been constrained.

Although energy use in Canada increased by more than 21% between 1990 and 2006, the study says emissions from the residential construction industry actually decreased by 8.5% during that period — despite a 29% growth in the housing stock.

The study is an update on an earlier one covering the period from 1990 to 2005.

CHBA President Gary Friend says the study shows convincingly that housing is leading the way when it comes to addressing en-

ergy efficiency and climate change. "Housing was one of the only sectors to have cut total greenhouse gas emissions in accordance with the Kyoto Accord, in spite of significant growth in the number of homes since 1990," Friend says.

It's good news

"This is the kind of good news we need to share, and it shows that our industry remains one of the greenest in Canada."

The study says that during the period between 1990 and 2006, the total area of residential housing in Canada grew by 33.6%, but total residential energy use increased by only 4.8%. And greenhouse gas emissions decreased by 8.5% dur-

ing the same period.

"As a result," it says, "the residential sector is one of the very few areas where Canada has achieved the targets it agreed to when it signed the Kyoto Accord."

"Overall, at the end of 2006, the residential sector had significantly outperformed the institutional and commercial building sectors in terms of both increased energy efficiency and constrained emissions of greenhouse gases. The residential sector also outperformed most other sectors of the economy."

The study also noted that the data comes from Natural Resources Canada's Comprehensive Energy Use Database, which is not weather-corrected.

PROJECTS IMPROVE HOUSING AFFORDABILITY

Gov't announces new ACT grants

SOME 17 new grants intended to improve housing affordability and choice have been announced by the federal government.

And the Greater Vancouver Home Builders' Association is on the list for a project that will host a forum on municipal processes.

Diane Finley, the Minister responsible for Canada Mortgage and Housing Corporation, announced the grants — which total more than \$84,000 — under CMHC's Affordability and Choice Today program.

"The government recognizes that streamlining approvals enables housing projects to avoid costly delays," Finley said.

"By reducing red tape and eliminating hurdles in planning and building regulations, these ACT grants will result in changes that will make housing more affordable and provide more housing options for Canadians."

The Vancouver grant is for \$4,450. Greater Vancouver Executive Officer Peter Simpson said it will be used to host a forum on municipal planning processes and procedures to improve the working relationship between the residential construction industry and municipal staff.

"The goal is to have faster project approvals and subsequent project cost savings for the consumer," Simpson said.

Grants

The ACT program, which has been operating since 1990, provides grants of up to \$5,000 to local teams made up of municipalities, builders, and housing stakeholders who promote the improvement of planning and building regulations in their communities.

It also offers a wealth of proven best practices and lessons learned so that communities can benefit from the innovations of others.

To be eligible, projects must include a specific activity or product, such as stakeholder consultation, survey, background research, workshop,



FINLEY: "Reducing red tape eliminates hurdles in planning and building regulations."

open house, or promotional material.

CMHC funds the program which is administered and delivered by the Federation of Canadian Municipalities, with the participation of the CHBA and the Canadian Housing and Renewal Association.

Decisions

ACT's National Management Committee, which represents the four partners, decides which applications shall receive grants.

CHBA President Gary Friend said ACT grants support solutions that the home building industry and municipalities across Canada can use to expand housing affordability and choice.

"ACT shares these regulatory reform solutions across the country so that others can benefit from them," Friend said.

Housing demand seen easing

THE long-term demand for new housing in Canada during the next few decades will be more moderate than in the recent past, a new report says.

But the underlying housing demand will remain strong.

The report, prepared by Altus Group Economic Consulting, delves into the drivers of housing demand, including demographic and economic factors.

It also examines the relationship between underlying housing demand and activity in terms of new housing construction and provides context to recent new housing construction performance and

implications for planning for the future.

"Canada has just emerged from a period of tremendous new home construction activity," the report says.

"That activity averaged more than 200,000 units in the most recent census period, topping out at some 233,000 new homes in 2004 alone."

An end

"The international financial crisis and the economic recession across Canada has brought an end to a period of modest excess supply."

The report says underlying housing demand will remain strong in the future, but it will be more moderate.

"The likely range for housing starts during the 2009-2010 period is in the range of 135,000 to 160,000," the report says.

"During the 2011 to 2016 period, housing starts in Canada will likely gain some momentum, encouraged by improved economic conditions and the underlying need for new housing in that period — which is more in the range of 170,000 to 180,000 housing units per year."

"Demographics suggest that household formation will moderate in the longer term — likely drawing annual average demand for new housing construction down to a range of about 165,000 to 175,000 starts per year."

Conference to herald new era

Sessions to present critical knowledge

NEXT year's CHBA National Conference will herald a new era for home building in Canada, Conference Chair Tom Cochren says.

The marketplace has been transformed, he says, and a new business reality is emerging.

"This is a challenging business environment that requires new approaches," Cochren says. "And the Conference will deliver the critical business knowledge that will be needed in the years ahead."

The event will be held at the historic Fairmont Empress Hotel in Victoria and the adjacent Victoria Conference Centre from March 5 to 7, 2010.

Its theme — The Future is Home — will offer a tremendous lineup of leading edge speakers who will deliver valuable insights into future trends and directions that will shape the residential construction industry.

A sampling:

Allan Gregg, the keynote speaker at the Conference opening breakfast, is one of Canada's most experienced and respected research professionals.

Drawing on the most recent research, Gregg will review how patterns of spending and savings have changed, what consumers are looking for when it comes to value for the dollar, and how prospective home buyers view the housing market. This will give conference delegates valuable insight for planning and managing their businesses.

Consumers

Terry O'Reilly, host of CBC Radio's "Age of Persuasion," will look at the changing world of consumers — and what this means for advertising and marketing efforts.

O'Reilly will talk about the important changes taking place in advertising — why surprise and emotion are so important to today's communications, and why authenticity is becoming a determining factor in how consumers react to marketing messages. He will reveal what it really takes to get people to notice, absorb and act on advertising, and he'll show incredible examples from around the world.

O'Reilly is recognized as one of North America's top radio writers. He is a veteran advertising copywriter who has worked in some of the most creative agencies in Canada including Campbell-Ewald, Lowe Goodgoll, Doyle Dane Bernbach and Chiat/Day.

Don Bell, Founder and Former Executive Vice-President of WestJet, will tell delegates how to thrive in a mature and competitive marketplace.

WestJet's success owes much to the vision of Don Bell. When he and his partners set out to build WestJet, he says, they knew they had to do something different.

That difference is embodied in WestJet's values, which include being positive and passionate in everything it does, appreciative of its people and guests, and honest, open and keeping commitments.

Bell says that like the home building business, the airline industry is mature, competitive, and cyclical. The capacity to build an organization where people are engaged and committed to results offers tremendous market advantage.

The success

He will draw from the WestJet story, focusing on the details of how the company built its success, and the common-sense business principles that allow it to succeed in good times and bad.

Don Drummond is Senior Vice-President and Chief Economist with the TD Bank Financial Group. He will lead the Annual Economic Session, presenting his perspective on the economic road ahead, and examining where Canada's economy is going, the forces that are shaping the country's economic future, and what this means for new home and



All-star lineup
■ CONFERENCE SPEAKERS (clockwise from top left) **Don Drummond**, who will lead the economic session, **Opening keynote speaker Allan Gregg**, **Designers Ramsin Khachi and Karen Sealy** who will focus on products, **CBC's Terry O'Reilly** who will talk about advertising, **mentalist Jess and Tessa Evason** who will be guests at the President's gala dinner, and **WestJet founder Don Bell** who says success depends on committed people.



renovation consumers and Canada's home building industry.

Drummond was born and raised in Victoria, and educated at the University of Victoria and Queen's. During a 23-year career with the federal government, he held

numerous senior positions in the areas of tax policy, fiscal policy, and economic analysis.

He joined the TD Bank in 2000, and leads TD Economics' work in analyzing and forecasting economic performance in Canada and abroad.

Drummond travels widely across Canada and internationally, providing insight into the Canadian economy and its prospects. He is frequently sought out by the media on economic and policy issues.

Ramsin Khachi and

Karen Sealy will lead a business session called "Design for Profit by Understanding Your Customers' Needs."

The session will focus on product innovation, getting full value from a sales centre, and on what women purchasers want.

Drawing on years of successful design practice, Khachi and Sealy will focus on the critical challenges involved in connecting with clients' needs, and delivering the buyer experience that will build a reputation in a competitive and challenging marketplace.

But Cochren says the Conference won't only be about business.

The social side

"Social aspects have not been forgotten in putting together the Conference program," he says.

"You'll want to be part of the Welcome Reception — A Taste Of Victoria — which will provide a taste of what makes Victoria a unique and energetic cultural centre.

"And you will want to be part of the excitement of the 2009 CHBA National SAM Awards, presented by American Standard Brands and Trane Canada.

"And we plan to turn the Conference Centre into a virtual cruise ship when we celebrate Housing Night in Canada.

"We'll also wind up with the President's gala, celebrating President Gary Friend's year of office. Gary's special guests for the evening will be renowned mentalists Jeff and Tessa Evason. Their astounding repertoire of paranormal feats will leave you wonderstruck."

CHBA National Awards: Recognizing Commitment & Celebrating Excellence



2008 National Award winners

Across the country, committed industry volunteers are driving our Association forward. The CHBA's National Awards Program recognizes members who are making things happen through their outstanding service and accomplishments.

CHBA National Awards also recognize the accomplishments of provincial and local HBAs that deliver real value through services to members.

Contact your local Home Builders' Association or visit the Members' area of www.chba.ca for information. The deadline for entries is December 31, 2009.

Join the celebration of excellence at the Awards Ceremony at the 2010 CHBA National Conference in Victoria.



Restoring R-2000 to 'best in class'

RESTORING the R-2000 standard to its leading edge "best in class" position will be the goal of a new consultation process, Natural Resources Canada has announced.

Through its Office of Energy Efficiency, the department will form a broad-based committee with the appropriate expertise to take on the task.

CHBA President Gary Friend says the NRCan announcements dealing with R-2000, the EnerGuide Rating System, and Energy Star are a "very positive" development.

"The NRCan committee will use a document that incorporates the CHBA's proposed changes to the R-2000 Standard as a starting point," Friend says.

"We are very pleased that NRCan is taking this action."

A milestone

"This represents a significant milestone in securing a solid future for this important national initiative. The new Standard will be in place by the Spring of 2011."

NRCan has also announced a commitment to develop the "next generation" EnerGuide Rating System.

An ERS Advisory Committee is being organized during the summer to undertake this work with the goal of having a renewed ERS in place by the spring of 2011.

This action also has the CHBA's full support.

In addition, NRCan has also announced support for a common technical specification for Energy Star for Homes in Ontario. The CHBA says this will create stability and consistency in the marketplace.



■ SAM Award winning home in Hamilton was built to R-2000 standards.

Study to probe gov't charges

ILEVIES, fees, charges, and taxes that governments at all levels impose on the residential construction industry are to be the subject of a new Canada Mortgage and Housing Corporation study.

This responds to the CHBA's request for an updating of government-imposed costs, and the development of an approach that would allow this type of monitoring to be done regularly.

The Corporation issued a Request For Proposal last month, noting that the study will be an update of a similar study done in 2006, but based on 2009 data.

It will look into the effects government-imposed fees have on the development, sales, acquisition, and ownership of housing, and will include an analysis of the feasibility of doing this work on a regular basis in future years.

CMHC said consultants will be chosen this month. The study will proceed in the fall, and is to be completed by February of 2010.



67TH CHBA NATIONAL CONFERENCE

The Fairmont Empress
Victoria, British Columbia

March 5 - 7, 2010

The Future is Home

Just as spring follows winter, this is the beginning of a new era for home building in Canada.

This new business environment is challenging. You need to understand what's going on in the marketplace, and how to position your business for the opportunities ahead. You must be agile and at the top of your game to succeed.

The 2010 CHBA National Conference in Victoria will deliver the critical business knowledge you need now.

- Emerging new market opportunities.
- Your customers – who they are and how to reach them.
- Essential design trends and features.
- Improving operational effectiveness for increased customer value, and profit.
- Leveraging new technologies and practices.
- Maximizing your performance and competitiveness.

This Conference will be about one thing – opportunity.

For more information, and online registration, please visit:

www.chba.ca/conference

Volunteers sought for task groups

IMEMBERS are needed to serve on three new National Building Code Task Groups, the CHBA's Technical Research Committee has been told.

The Task Groups are dealing with code matters related to snow loads, exterior insulation finishing systems, and the Illustrated Guide to Part 9.

Ottawa Valley R-2000 builder John Teixeira will represent the CHBA on a CSA Task Group that is examining requirements for residential construction.



THE Bottom line

HOUSING AND THE ECONOMY IN BRIEF

Bright future for housing, economists say

THE seasonally-adjusted annual rate of housing starts increased from 134,200 units in July, to 150,400 units in August, Canada Mortgage and Housing Corporation says.

Bob Dugan, Chief Economist at CMHC's Market Analysis Centre, said housing starts are trending higher, reflecting improvements in both the single and multiple segments. "The improvement in housing starts is consistent with our expectation of a stronger second half for 2009," Dugan said.

The seasonally-adjusted annual rate of urban starts increased by 14% to 131,800 units in August. Urban multiple starts increased by 23.8% to 77,600 units, while urban single starts moved up 2.5% to 54,200 units in August.

August's seasonally-adjusted annual rate of urban starts increased by 56% in British Columbia, by 16.1% in the Prairies, by 13.8% in Ontario, by 9.6% per cent in Atlantic Canada, and by 2.5% in Quebec.

Rural starts were estimated at a seasonally-adjusted annual rate of 18,600 units in August.

The CHBA's economist, Dr. Peter Andersen, was also optimistic in his Canadian Housing Industry Economic Update. He said it has been a different kind of recession for Canada's new housing and renovation industries.

"It's time to sound the all clear," Dr. Andersen said. "This has been a different kind of recession — a short and shallow one that has not been long lasting."

House prices rebound

"There has been a surge in home sales and a rebound in house prices since March.

"The credit crunch has not hit the housing sector in Canada the same way it has in the United States. Home buyers again think it is a good time to buy. Multiple offers are back and there are hints of a shift to a sellers' market."

Dr. Andersen said the financial crisis was a confidence shock and shut down housing demand for several months last fall and winter. However, there have been some positive effects for Canada as well. Interest rates have been forced down to unthinkable levels and home buyers in Canada, unlike their counterparts in the United States, are not being denied mortgage credit.

"It is the economy-wide recession itself, not the financial crisis that is the problem for Canadian new home builders and renovators," Dr. Andersen said. "Rising unemployment and diminished income prospects have combined to push housing starts down to an estimated 140,000 starts this year, from 211,056 in 2008. However, it now looks like the recession is ending. Housing starts could be back to the 150,000 range in 2010."

"Using a 10 to 1 ratio to compare Canada to the U.S., this would be comparable with 1.5 million U.S. housing starts. With U.S. starts currently at their lowest rate since the World War II years, they will be hard-pressed to reach 700,000 units in 2010."

Dr. Andersen said that on a quarter-to-quarter basis, real GDP is now growing again in Canada, the United States, Europe, and China. At this point, it is highly dependent on government stimulus efforts but it is still growth, and it is welcome. He expects that output will continue to advance through to the middle of next year.

"Past that point, I am not as sure," he said. "There is still a risk of slipping into another general economic recession later in 2010. The U.S. economic recovery is still on shaky ground. In addition, there will have to be an improvement in employment conditions in Canada for the current momentum in housing markets to be maintained."

HOUSING STARTS BY PROVINCE

	2005	2006	2007	2008	2009*
N.L.	2,870	2,498	2,325	3,261	2,675
P.E.I.	919	862	680	712	575
Nova Scotia	4,717	5,000	4,700	3,982	3,100
N.B.	3,947	3,959	4,250	4,274	3,475
Quebec	58,448	50,910	52,400	47,901	40,000
Ontario	85,114	78,795	67,700	75,076	42,000
Manitoba	4,440	4,731	5,750	5,537	4,050
Sask.	3,781	3,437	6,000	6,826	5,400
Alberta	40,847	49,000	47,750	29,164	11,500
B.C.	32,925	34,667	36,200	34,321	20,000
Canada	233,431	225,481	227,530	211,056	132,725

Source: Canada Mortgage and Housing Corporation
* CHBA Economic Research Committee May 2009 builder forecast

Behind the 'green labels'

IN many regions, minimum and "prerequisite" requirements of new "green labels" are at or below those required by some provincial building codes, a new CHBA study says.

Building codes and new home labeling programs have different roles and intents, which makes comparison of the two problematic, the report says.

However, contrasting the requirements of codes with the measures included in labeling programs provides insight into where each fits within the home building continuum.

"Building codes and their associated regulations and standards define minimum requirements based on a disciplined and science-based decision-making process," the report says.

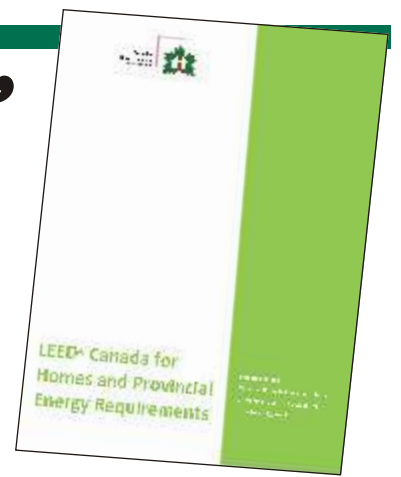
"Code compliance is mandatory. Voluntary new home labeling programs address many goals — including interior air quality, site use, and education — that are beyond the scope of building codes.

"Labeling programs can be scalable, they can reward ascending levels of achievement, and offer different paths to meet specific label requirements."

Monitored

CHBA President Gary Friend says the Association will continue to monitor developments in the green label field so members can make informed business decisions.

"The most recent entry in the area has been the LEED® Canada for Homes initiative by the Canada Green Building Council."



Friend says. "To address member's questions about how this program relates to current and pending provincial code requirements, the CHBA commissioned the report *LEED® Canada for Homes and Provincial Energy Requirements*."

The full report is available in the Members' Area of the CHBA website.

ENERGY EFFICIENCY PROJECTS IN SPOTLIGHT

Grants fueling reno activity

New report details sales opportunities

GOVERNMENT grants and incentives are fueling a boost in the renovation industry, a new CHBA report says. And they represent a valuable business resource for renovators, trades contractors, manufacturers, and product and material suppliers.

The report says all levels of government — and some utilities — are offering a wide range of home owner grants and incentives for energy and water efficiency home upgrades.

These grants are in addition to the federal Home Renovation Tax Credit. Last fall, the CHBA's Green Renovator Task Group noted that home owners often look to their renovators for information on the grants and incentives available to them.

Some renovators are already providing this assistance to customers as part of their marketing and service efforts.

The new report, which is available in the Members' Area of the CHBA website, provides a broad national overview of current federal and provincial home owner grant and incentive initiatives.

It lists the grants and incentives available today, and also illustrates how these can be combined in relation to a number of typical upgrade projects.

Eligibility

It also notes that receipt of an energy efficiency grant does not reduce a home owner's eligibility under the Home Renovation Tax Credit.

The report says the total dollar value of the grants and incentives for many upgrades can quickly add up.

"Anecdotal evidence from renovators across the country indicates these grants and incentives, and the Home Renovation Tax Credit, are stimulating home renovation activity," the report says. "Consumers

who want to upgrade from a poorly-performing house to a highly energy-efficient one, can realize quite substantial savings.

"Some renovators are advertising that they will assist consumers with applying — and this may well be an effective marketing strategy."

The report says most provinces have some type of grants program, those that are most generous supplement the federal ecoEnergy program.

Exemptions

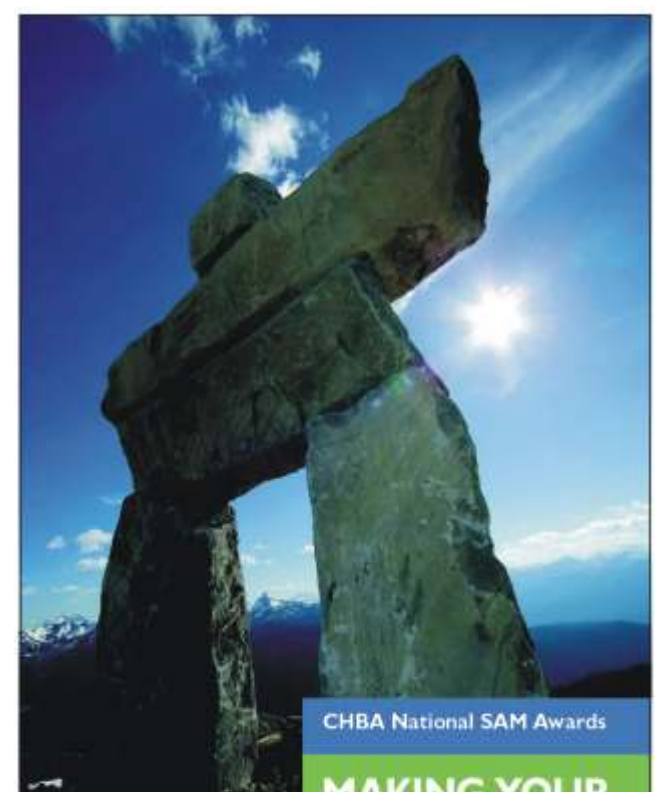
In addition, some provinces have sales tax exemptions for appliances and upgrades.

For example, Ontario offered a point-of-sale retail sales tax exemption (8%) for qualified ENERGY STAR household appliances and lighting products bought before Sept. 1.

All programs have time limits, the report says. Most provincial programs end within the next 12 months.

Some municipalities and utilities are also offering grants and incentives.

Most apply to energy-saving appliances or water-conserving equipment.



The CHBA National SAM Awards honour the performance of new home builders, renovators, residential developers and new home sales and marketing professionals who are building dreams across Canada.

CHBA National SAM Awards
MAKING YOUR MARK
Deadline for Entries
NOVEMBER 6, 2009

The Call for Entries for the 2009 awards has been issued. Visit our website www.chba.ca/SAMS for complete information.

The 2009 National SAM Awards will be presented at the CHBA National Conference in Victoria on March 6, 2010. Please join us for an unforgettable evening.

The deadline for entries is November 6, 2009.

PRESENTED BY:



Getting the industry message out to MPs

GETTING the residential construction industry's key message across to federal politicians was the focus of the CHBA's Summer MP Campaign.

The most critical issue, MPs were told, is indexing the GST New Housing Rebate so as to protect housing affordability across the country. They were also told that the

federal government's tax regime needs to be reformed to encourage private investment in new purpose-built rental construction. And the big challenge, long

term, is replenishing the rapidly-growing shortage of skilled trades in the residential construction industry. Here, three reports on what MPs were told ...

1 GST NEW HOUSING REBATE

A call for indexed thresholds

Key step in protecting housing affordability

INDEXING the thresholds for the GST New Housing Rebate is the most urgent current issue for new home builders across the country, MPs were told during the CHBA's Summer MP Campaign.

They were told that indexing is needed to protect housing affordability across Canada. And Campaign Chair, First Vice-President Joe Valela says now is the time to act on this critical issue.

Housing affordability has benefited from the reduction in the general rate of the Goods and Services Tax from 7% to 5%, MPs were told. As a result of this reduction, plus the continuation of the GST New Housing Rebate, the actual rate of GST on new homes eligible for the full rebate has been reduced from 4.48% to 3.2%.

This is roughly the same percentage of federal sales taxes on a new home as applied prior to the introduction of the GST in 1991.

"This is a major step in supporting housing affordability," Valela says.

No benefit

"However, with rising house prices, the lack of indexation of the thresholds for the New Housing Rebate has meant that many new home buyers, particularly in urban centres, do not benefit from the reduced GST.

"In short, new home buyers are paying more GST than would be the case had the rebate thresholds been indexed to rising house prices. This has had a negative impact on housing affordability."

Valela says that during the Summer Campaign, MPs were told the GST New Housing Rebate reduces the actual rate of

GST payable on eligible new homes.

Those who buy new homes priced below \$350,000 receive the full rebate — the actual rate of GST on their new homes is 3.2%.

However, those who buy new homes priced between \$350,000 and \$450,000 receive a progressively-reduced rebate, and the actual GST rate rises accordingly.

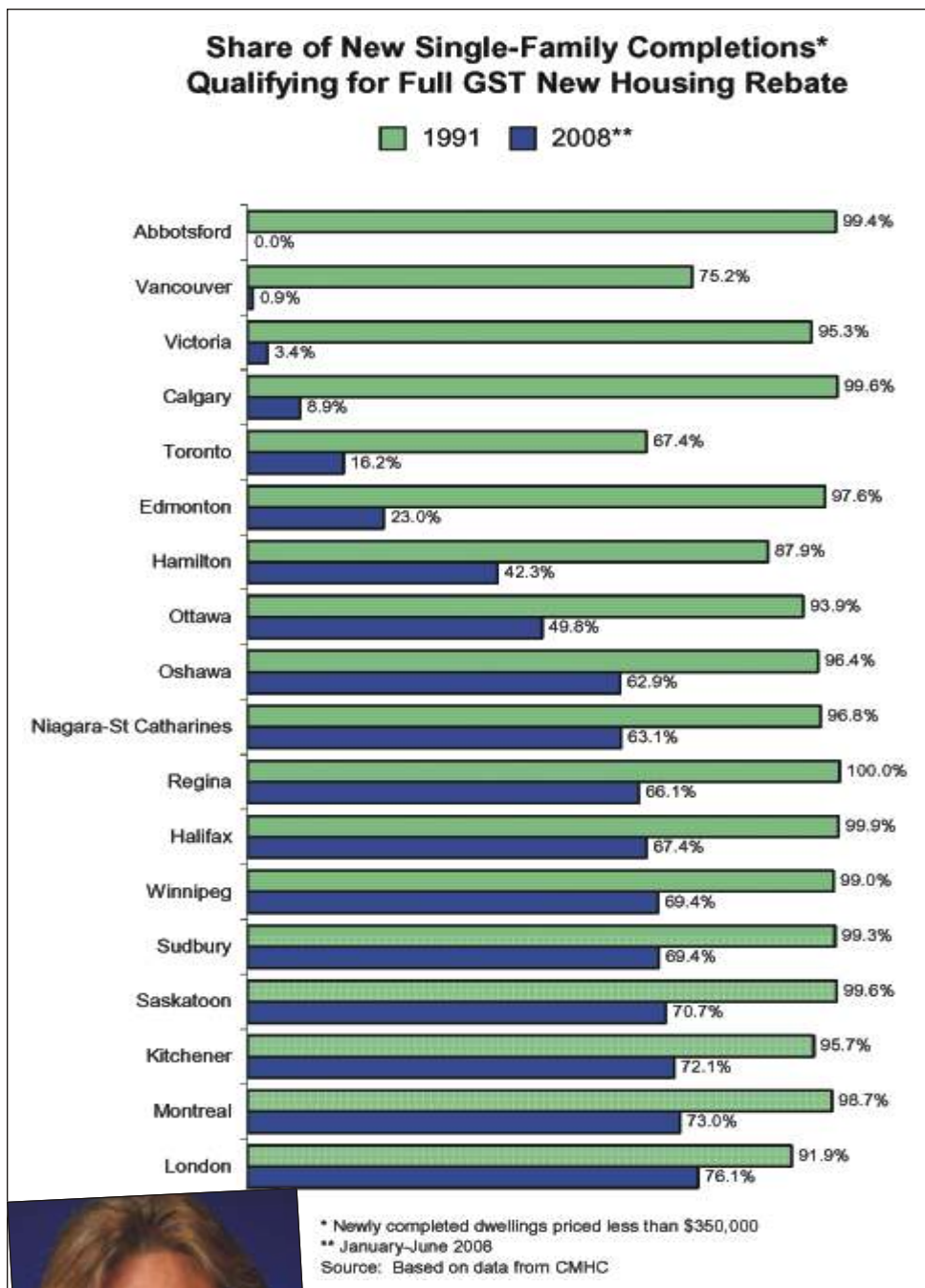
No rebate

Homes priced at \$450,000 or more receive no rebate. Thus the actual GST rate for these homes is 5%.

MPs were told that when the GST was introduced in 1991, the federal government made a commitment to adjust the thresholds and thereby protect housing affordability.

A Technical Paper on the GST, produced in 1989 said: "The government will review these thresholds at least every two years and adjust them as necessary to ensure that they adequately reflect changes in economic conditions and housing markets."

During the 1990s, immediately after the GST was introduced, housing prices were relatively stable in most parts of Canada, MPs were told, so there was little need to adjust the thresholds



■ VALELA: "New home buyers are paying more GST than they would had rebate thresholds been indexed."

to reflect housing price changes.

But in the last decade, housing prices have increased significantly. But there have been no adjustments to the thresholds.

During the period since the GST was introduced, Statistics Canada's New House Price Index has increased by 57%.

Had the GST New Housing Rebate thresholds been adjusted to take account of this increase, the thresholds in 2009 would have been roughly \$550,000 to \$700,000.

In recent years, freezing the thresholds has meant that an increasing number of households no longer receive a partial rebate.

None qualified

In Abbotsford, B.C., for example, none of the buyers of new single-family homes completed in the first half of 2008 qualified for the full GST housing rebate.

In contrast, when the GST was introduced in 1991, more than 99% of buyers in the area qualified for the full rebate.

In Toronto, only 16% of the buyers of new houses completed in the first half of 2008 qualified for the full GST rebate; in 1991, 57% qualified for the full rebate.

MPs were told the picture is similar across Canada.

2 HUMAN RESOURCES

Skilled trades shortage a key issue

THERE is a growing shortage of skilled trades in the residential construction industry, the Summer MP Campaign pointed out.

The federal government needs to revise its trades-training programs to include all of the provincially-designated trades in the residential construction industry.

In the federal Budget of 2006, the Government of Canada introduced an Apprenticeship Incentive Grant and Job Creation Tax Credit. The Government of Canada also introduced an Apprenticeship Completion Grant in the 2009 federal Budget.

The CHBA strongly supports these measures.

None eligible

Unfortunately, however, very few new home builders and renovators — especially in the low-rise segment of the market — are able to take advantage of these tax measures because they apply to Red Seal trades only.

Many trades employed in residential construction, including provincially-designated trades with unique skills geared toward the residential sector, are not eligible for the Red Seal.

The CHBA is proposing to MPs that:

■ The list of qualifying trades eligible for the Apprenticeship Incentive Grant be expanded to include all provincially-designated trades in the residential construction industry;

■ The Job Creation Tax Credit and Apprenticeship Completion Grant be extended to employers of apprentices in those provincially-designated trades;

■ Any future incentives be extended to all provincially-designated trades in the residential construction industry.

3 RENTAL CONSTRUCTION

Encouraging private investment

MORE federal actions are required to ensure that the housing sector contributes strongly to Canada's economy, MPs were told.

In particular, there is a need to reform the federal government's tax regime to encourage private investment in new purpose-built rental construction.

During the last two decades, new rental housing investment has been very weak.

Future private rental housing production needs to increase dramatically to meet Canada's rental housing requirements. These are

increasing as the population ages, and as people seek to be more mobile in order to pursue employment opportunities.

To bring on adequate rates of purpose-built rental housing construction, the CHBA calls for reforms to the federal tax treatment of rental housing, including:

- Deferring capital gains and recaptured depreciation deductions upon the disposition of rental properties if the proceeds are used to invest in new rental properties;
- Extending eligibility for deduc-

tions of rental losses created by capital cost allowance against income from other sources;

- Relaxing restrictions on the deductibility of soft costs;
- Allowing small rental landlords to use the small business deduction;
- Restoring deductibility of land carrying costs; and
- Refunding the GST paid by businesses investing in rental housing, as is the case with other rental property investments.