



# **Canadian Home Builders' Association**

## **Feedback on Build Canada Homes Sounding Guide**

### **Executive Summary**

On behalf of the Canadian Home Builders' Association (CHBA), we are pleased to provide our feedback on the Build Canada Homes (BCH) Market Sounding Guide (the "Guide").

In brief, key CHBA points include:

- Given the BCH focus on affordable housing (which is appropriate), many other federal policy and initiative adjustments will be required beyond BCH to address market housing to achieve the 500,000 housing starts per year target.
- It will be important that BCH enlist the industry for the actual land development and construction of units, and not be in competition with the private sector in any way regarding land, development or construction.
- Support for factory-built construction will be helpful (e.g. larger contracts that can support investment in systems/facilities), but much more will be needed to overcome the market barriers to support a transition to more factory-built construction in Canada – see [CHBA's Sector Transition Strategy](#) for the extensive list of recommendations.
- Financial instruments developed within BCH (e.g. to support factory-built construction) should be extended to support market housing as well.
- Emphasis on "modern methods of construction" that include products and materials that are more expensive should be tackled strategically, with complementary industrial strategies to lower costs moving forward; simply mandating and subsidizing them within BCH activities will not make them competitive in the market moving forward, and may delay cost reductions.

- Working with municipalities to lower barriers to more rapid deployment of housing is good, but should not be limited to BCH projects; these barriers need to be removed for market housing as well; BCH should mandate this within its projects.
- Where cities offer to waive or reduce development charges on BCH projects, sources of funding other than development charges (DCs) on market homes should be confirmed, otherwise DCs will simply go up on market rate housing and worsen affordability.
- BCH should be housed within an existing government entity, and not create an entirely new agency and hence more bureaucracy.
- For more recommendations and details, please see the full document below.

## Introduction

Since 1943, CHBA has been the national voice of Canada's residential construction industry. Representing one of the largest industry sectors in Canada, our membership is made up of over 8,500 member firms from coast to coast, including home builders, renovators, land developers, trade contractors, product and material manufacturers. CHBA members are largely comprised of small- and medium-sized businesses and build low-rise, mid-rise, and high-rise homes for both ownership and rental. Through our Modular Construction Council, we also represent the factory-built construction members of the industry, and have been actively engaged in consultations related thereto as well.

As expected, we note that BCH will focus on increasing the stock of non-market housing. The development of more non-market housing is indeed important, but it is also critical that in parallel there be a major effort by this government outside of BCH (through government policy and other initiatives) to address housing affordability and doubling of starts in market housing. With the non-market housing focus of BCH, it will only impact a small fragment of what will be required to achieve the government's 500,000 homes per year target. It will also be important that in its communications, the government not confound the roll out of BCH and its non-market housing, with the massive effort needed to dramatically improve the supply and affordability of new market housing. That is not to say the BCH should expand its mandate to market housing; only that expectations should be managed publicly, and frankly within government. There are some elements in the Guide that can support the broader industry, but much more will be needed in other policy and program areas, and that needs to be a major focus of this government. Efforts to break down the barriers preventing market-rate home building from scaling up are critically needed to reach government targets and help restore affordability along the entire housing continuum (see [CHBA's Pre-Budget Submission](#), for example). And continued efforts as

outlined under the government’s “[Canada’s Housing Plan](#)” are required to address the extreme market housing supply shortage.

Finally, in general terms, it will be important that the efforts under BCH not create an entirely new agency and associated bureaucracy. With the focus of Budget 2025 including “spending less on day-to-day government operations, and reinventing government for the 21st century”, a smart approach to BCH will be required. As such, placing BCH activity within the auspices of the existing HICC department, CMHC, or Canada Lands would make more sense than creating yet another agency.

## **Comments by Section**

### *Section 1 - Introduction*

It is positive that the Guide states that its purpose is to “navigate the process of building non-market housing.” That is an important distinction that must be upheld. It is critical that BCH avoid competition with the private sector or displace private development. Any final design of BCH also needs to specifically state that its activities in developing lands will be restricted to Crown/federal/public lands. While this is mentioned in the Guide, it currently leaves room for interpretation. The federal government should not be in competition with the private sector (and hence drive up costs) for private land destined for market housing.

If this process leads to more government-supported affordable housing – and in turn helps avoid inclusionary zoning (given inclusionary zoning drives up the cost of market-rate housing), sticks to crown lands, avoids competition with private-sector developers, and engages the private sector in the actual land development and building construction, there is potential to help alleviate some of the strain on the affordable housing sector.

The Guide references catalyzing a more productive home building industry. While BCH can help in some elements of that, which is positive, it is important to recognize the many reasons and barriers that have prevented the move to more factory-built approaches. Further understanding and work beyond the BCH will be required by the government to properly support the evolution of the industry – again, [CHBA’s Sector Transition Strategy](#) offers our many recommendations there.

### *Section 2 – Objectives*

Regarding building affordable housing at scale and building faster, better and smarter, CHBA members are actively engaged in factory-built construction approaches (as well as all approaches that the Guide refers to as “modern methods of construction”). As an integral part of the business of the association, CHBA’s Modular Construction Council was established in 2017 when two previous national associations—the Canadian

Manufactured Housing Institute and MHI Canada—joined forces and folded into CHBA to create this CHBA Council to support the increasing role of factory-built modular construction in the building industry. Since the government is looking to catalyze the building of prefabricated homes, it would be useful to continue to tap into CHBA and this Council for expertise. Through its Modular Construction Council, CHBA developed its [Sector Transition Strategy](#) which presents solutions to the need to scale up the building of modular and panelized housing, some of which are reflected in the Guide. This document has been very well received by government officials since its publication in 2024 and led to CHBA's inclusion on the government's Expert Panel on Industrializing Home Building.

CHBA would also note that with the drive to affordability, it will be important that requirements under BCH not drive up the cost of construction for those units. And where it does seek to use more expensive products and materials (e.g. through other policy agendas), those costs should be well documented, with an effort to drive them down through industrial strategies over time. Simply mandating and subsidizing products and materials within BCH activities will not make them competitive in the market moving forward; in fact, requirements and the resultant subsidies may delay their evolution to being less expensive and hence appropriate for broad market adoption.

### *Section 3 - Build Canada Homes*

#### Financing

The Guide states that BCH will put forth “an investment strategy that supports the scaling of modern methods of construction which drive productivity and get homes built faster. This will likely require developing fit-for-purpose financial instruments to fill gaps currently not well-served by the private sector and incentivizing the use of modern methods of construction.” Given that BCH will focus on non-market housing, impacts will be limited in terms of the broader industry. Financial instruments to support transition should therefore be developed for the entire industry, not just the projects that will be done under BCH. For example, backstopping for construction financing for modular construction is required, given perceived risks by financial institutions and their lack of proper construction financing for modular factories. Tools to facilitate this financing should be developed for the entire market, not just BCH or rental projects.

#### Building

In terms of approach, the Guide states that “Build Canada Homes could act as a developer in varying capacities, working with contractors, operators, investors and other developers to build housing, develop land, procure materials, share risks and provide expertise.” It will be important that BCH enlist the industry for the actual land development and

construction of units, and not be in competition with the private sector in any way regarding land, development or construction. The government must also ensure that the proper expertise exists with BCH, with a full understanding of how the market and industry actually works, and that more bureaucracy and red tape won't be added to an already challenging home building environment, even if it is only for the social housing under BCH. New Zealand's KiwiBuild is an [example](#) of how difficult it is for governments to act as a real estate developer. Locally, a recent [CTV News](#) story highlighted the challenges of building homes for Canada's military families with more than 4,000 homes needing to be built or renovated to meet demands for military housing, but only less than 700 homes are slated for construction by 2030. BCH must avoid these inefficiencies by properly understanding and engaging industry.

## *Section 5 – Investment Approach*

### Leveraging the right instruments

Regarding productivity, the Guide states that BCH intends to “showcase commercial potential by employing modern methods of construction for projects it develops.” Some of these approaches are substantially more expensive (e.g. 3D printing), and others face other barriers to adoption (e.g. risks of investment in factories that stand idle during housing busts). Home builders across the country already know the costs and challenges of adopting some such systems, which is why these methods have not yet been adopted at scale. Regarding factory-built construction, CHBA has spoken at length about the need for the government to support and de-risk the transition to building more factory-built homes. BCH can help, but more will be required.

CHBA's [Sector Transition Strategy](#) was developed in response to the challenges and opportunities to move to more factory-built approaches within the sector. It is a blueprint for how to overcome the barriers to scaling up and de-risking this type of housing. The Strategy also recommends that governments should create longer-term bulk orders for affordable housing, which would in turn support certainty for investment in factories by the private sector. In this, the BCH holds promise.

We would also note that while it is encouraging that during the election campaign, the federal government committed to \$25 billion in debt financing and \$1 billion in equity financing to innovative Canadian prefabricated home builders – a recommendation from CHBA's Sector Transition Strategy – it is still unclear whether this investment is connected to BCH. If the federal government intends to focus on scaling up factory-built efforts, it is vital that it support the private sector in de-risking investments beyond those that are

involved in BCH. To that end, CHBA recommends that the \$26B in funding be kept separate from BCH, though open to those who ultimately participate in BCH.

### Innovation in Homebuilding

More often than not, modern methods of construction remain very cost prohibitive. For example, the Guide cites 3D-printed construction. This type of construction is not yet cost competitive. If the government wishes to commit to an efficient use of public dollars (as it says in the following section of the Guide), there needs to be a recognition of what that means, and a path to cost competitiveness should be included. Strategies that will see costs come down must be part of any requirement to include specific products or materials.

While Canada is dealing with tariffs and trade uncertainty, it is understandable that there is a focus on Canadian-made materials, like mass timber. However, such products can cost more, which have limited their market adoption to date. CHBA is very supportive of the potential Canadian products and systems like mass timber, but work needs to be done to drive their costs down, and BCH can help with that. Cost and affordability should remain a primary focus of BCH, and analysis should be done when requiring more expensive products and materials, and to support activities that will drive down the cost of those over time. It is also important to recognize that subsidization of public projects to include more expensive products does not translate to their adoption in market-rate projects unless the costs ultimately come down, and a plan for that is required. CHBA members are very interested in adopting more Canadian products and systems like mass timber, but if they remain more expensive than conventional construction, their adoption is difficult given the affordability issues already plaguing housing.

### *Section 6 - Partnerships and Engagement*

#### Local governments

According to the Guide, a goal of working with local governments is to “identify pathways to accelerate planning, permitting and servicing of Build Canada Homes projects...”. The Guide also suggest that it will “partner with provinces and municipalities to ensure BCH aligns with jurisdictional realities.” While it is important to deal with these barriers, it must not solely be for BCH projects. Efforts must be made to accelerate these processes for all types of housing, including for market-rate. To solely put efforts towards BCH projects will put building of market-rate housing even further behind.

A final important consideration with municipalities is the trend to now waive development charges (DCs) for preferred projects, like affordable housing or even some purpose-built-

rental projects. The problem with that is that the infrastructure and amenities those DCs would fund are still required, and this typically means municipalities seek those funds from DCs on market-rate housing, further driving up those costs. This must be avoided. To that end, where cities offer to waive or reduce development charges on BCH projects, sources of funding other than development charges on market homes must be confirmed, otherwise DCs will simply go up on market-rate housing and worsen affordability.

## **Conclusion**

Should there be any need to provide more detail on CHBA's submission, please contact Nicole Storeshaw, Director, Government Relations at CHBA at [nicole.storeshaw@chba.ca](mailto:nicole.storeshaw@chba.ca)