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Opening remarks for:

House of Commons' Standing Committee on Finance

Study of Bill C-47, An Act to implement certain provisions of Budget 2023

Thank you Mr. Chair and members of the committee, for the opportunity to speak today.

As you all likely know, we are in a construction slowdown thanks to the interest rate increases of last year. As they rose, sales slowed to a trickle. As a result, our Housing Market Index, now suggests that we could see as much as 30 percent drop in housing starts, which corresponds to other data, like 23% of our members cancelling projects and some 59% expecting to build fewer homes this year.

This is the opposite of what is needed, given the housing affordability crisis in Canada, driven in large part due to the severe housing shortage. CMHC analysis shows that to make up our housing deficit, we would need to build 5.8 million homes over the next decade, which would require more than doubling our housing starts.

So how do we get on the right track. Well firstly, let me say there is no silver bullet. We need a comprehensive approach from all angles, and from all levels of government. Focus should be on three key areas:

1) Fix the mortgage system so well qualified young people can buy new homes and in response industry can build more.
2) Stop government policies that add costs to housing, and find ways instead to reduce costs, and
3) Address the labour shortage.

Regarding the mortgage system, Canada has been so worried about its financial system stability, that we have taken away the ability of young Canadians to buy homes. We have over-corrected at the cost of dropping homeownership rates – from nearly 70% in 2011 to about 66% in 2021. One would expect this would all be to protect against rising mortgage defaults, but instead the mortgage arrears rates have fallen to historic lows of about 0.15 percent. Furthermore, young Canadians have the lowest risk profile of any mortgage borrower. So as this budget looks at its oversight of OSFI, all government departments, regulators, and agencies should be tasked to work together to balance risk with the need to build more homes, address affordability, and return homeownership to being an attainable dream for more Canadians.

It is not time for OSFI to tighten mortgage rules still further. Quite the opposite. It is time to find ways to relax the stress test on both insured and uninsured mortgages responsibly. It is also time to allow mortgage insurers to return to 30-year amortizations, to enable well qualified fist time buyers to be able to access the market. This will enable more housing to be built, thereby avoiding cost acceleration, and enable the homeownership rate to turn around as it should.

Governments also need to stop adding costs to homes and instead need to do their part to reduce the price of new homes. The GST rebate on new homes hasn't changed since its inception in 1991, and over the 30 plus years since, the price of homes has more than doubled. It's time to double the GST rebate thresholds. I would add that the first-time homebuyers plan, the Tax-Free First Home Savings Account, and renovation tax credits are good steps as well – given that every little bit helps.

Also regarding the GST, we need to zero-rate purpose-built rental construction, as we do groceries, since GST cannot be collected on rent. Currenty, the GST translates to higher construction costs and higher rent. Capital gains and capital cost allowance treatment also harm the business model. Developers are far better off to build condos. Tax reform on rental is needed to fix the broken model of purpose-built rental and get the hundreds of thousand of PBR needed under construction.

Meanwhile, every code or standard change these days, and there are many, is increasing the cost of construction. It is time to make affordability a core objective of the national building code, and only allow cost neutral changes. If a change is important, we need to invest in the R&D to make it affordable before regulating.

Cities too need to stop adding costs to construction by continually increase development taxes, and need to change their approaches and accelerate development. The roll out of the Housing Accelerator fund is an important step in encouraging that change. The tying of infrastructure and transit investment dollars to housing supply outcomes also needs to move forward.

We also need to cut red tape that adds costs. Simply: industry needs to be exempted from the underused housing tax—our members are filling out thousands of forms for nil returns for the UHT for no reason.

Finally, the labour shortage. The Canadian Apprenticeship Service, the labour mobility deduction and doubling of the deduction for tool expenses are all good steps. But we still need many more people, so the plans of the government to focus immigration on skilled workers especially for home construction are critical to get more homes being built faster.

But even with that, we will not have enough workers to double housing starts. We need to increase productivity through factory-built solutions. But that will take investment, and the volatility of the market make that investment risky. CHBA is beginning an industry transition strategy that will outline the types of changes required, the risks, and the way the federal government can support that transition. CHBA is recommending that the government prioritize and support investment in modular and other factory-built housing technologies, similar to the most recent federal budget's emphasis on clean technology investments, through tax credits and strategic funding.

I look forward to your questions.

Thank you.