



Opening Remarks – Kevin Lee, CEO, CHBA

Standing Senate Committee on Banking, Commerce and the Economy (BANC)

Pre-Study of Bill C-20, An Act respecting the Establishment of Build Canada Homes

Thank you, very much. The Canadian Home Builders' Association—or CHBA—represents more than 8,500 member companies across Canada, including builders, renovators, developers, and suppliers involved in constructing homes of all forms—low-rise, mid-rise, and high-rise—for both the ownership and rental markets.

There are several aspects of what Build Canada Homes—or BCH—intends to do that have long been a part of CHBA recommendations. These include: utilizing public lands for housing; eliminating duplicative inspections and streamlining regulations for modular housing; providing financing to innovative Canadian companies; and creating a steadier stream of business to enable investment for manufactured housing factories in productivity. These are good steps, but of course much more needs to be done to address the breadth of the housing crisis in this country.

We need to recognize what BCH is, but also what it is not. BCH is intended to focus on non-market, government-supported housing. That is an important component of the housing system, and increasing the supply of such housing will certainly help address urgent needs. But it is critical to recognize that the overwhelming majority of Canadians - approximately 95% - live in the market-rate system. To put this in context, BCH will only build about 1% of the short-term and long-term requirements of the entire housing supply needed for Canada.

There have been suggestions that BCH will “super charge” the industry and “transform” the way we build houses. While BCH can help those things, given the small scale of BCH compared to the rest of the industry and activity required, it is important to keep things in context, which includes doing much more beyond BCH to address the housing affordability and supply crisis, can connecting BCH to broader government policies and programs to achieve such ends.

So where should policy go from here, where it comes to BCH and the banking system as well?

Ensuring BCH roles out its housing in a timely and efficient matter will be key. As it seeks to do so, BCH will find that typical government RFPs that overburden developers with the usual government bureaucracy will slow progress and increase costs—this unnecessary red tape should be identified early and eliminated.

As BCH works within municipal systems to seek to build new developments, the red tape at the municipal level will become apparent. It will be important that these issues not just be overcome by BCH, but that BCH flag these for overall change in processes and regulations required within each municipality, and as lessons learned and direction for positive change for others.

This includes issues of municipalities using different zoning, by-law and other regulatory requirements to make it impossible to build the same project in two different municipalities. Different building official code interpretations also prevent repeatability within the same municipality. These issues need to be flagged by BCH and fed into other government initiatives to address this larger issue of “building code by other means” by municipalities and code interpretation barriers thwarting productivity in the sector.

As BCH projects proceed, they may very well have their development taxes waived by municipalities. This lowers costs for delivering social housing projects, but then places more burden to fund infrastructure on market-rate housing, which is already at untenable levels, further driving up home prices. The government needs to work with municipalities to find alternative funding models to development taxes that instead spread the burden across the entire tax base. BCH should also ensure any reductions in DCs will not simply be added to market-rate projects elsewhere.

BCH is looking to support more modular construction by creating longer-term contracts for projects with proponents. This is in line with CHBA recommendations. Through this, BCH will find that different construction financing is required to better support modular construction. As BCH works to solve this, the same kind of principles should be conveyed and used by CMHC to create new financing products to support both site-built and factory-built solutions, as construction financing becomes more difficult to access for market rate housing.

Finally, related to financing, BCH may in some of its projects support subsidized affordable homeownership – a good thing. Two key opportunities to better support homeownership exist directly within the banking regulatory environment. One: fix the stress test for both insured and uninsured mortgages to facilitate better access for well qualified buyers. And two: amend the Interest Act to facilitate 7- and 10-year mortgage terms, products for which the stress test can be removed entirely.

There is no silver bullet to fixing the housing crisis, but taken together, these are some of the measures that can help increase supply, improve productivity, and restore affordability across the housing system. Build Canada Homes can play an important role. But it must be connected to a broader, coordinated strategy that addresses the housing crisis across the entire housing continuum.

Thank you. I look forward to your questions.