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# SUBMISSION TO THE MINISTER OF FINANCE

JANUARY 2011



## PRE-BUDGET CONSULTATION PROCESS

***“The Residential  
Construction Industry  
is the Engine that  
Drives Ontario’s Economy”***

# THE RESIDENTIAL CONSTRUCTION INDUSTRY IS the engine that drives Ontario's economy



**50,370 Housing Starts** Housing starts in Ontario declined sharply in 2009 from 75,076 in 2008 due to the global recession that hit Ontario hard. However, activity picked up in the last quarter of 2009 as consumer confidence improved and the real estate market led the recovery. Each new home built in Ontario is not only a roof over the head of a family, but it provides thousands of jobs and generates significant dollars in taxes, fees and levies for all three levels of government.

**334,000 Jobs** The new housing and renovation sector is the largest industry in Ontario. Tens of thousands of high paying direct and indirect jobs are provided every year by the residential construction industry.

**\$34.4 billion** In 2009 the value of new housing, residential renovations and impacts of other expenditures related to residential construction in Ontario totalled \$34.4 billion.

**\$16.9 billion in Wages** The average weekly wage in Ontario's construction sector is \$980. This compares to a \$963 average in all industries. The average construction wage is 3% higher than the overall industry wage for full-time employment in Ontario.

**\$3.19 billion** Total income taxes for the federal and provincial governments generated from Ontario housing starts, renovations and other related expenditures.

**\$2.03 billion** Total GST revenue generated from Ontario housing starts, renovations and other related expenditures.

**\$1.42 billion** Total CPP Premiums generated from Ontario housing starts, renovations and other related expenditures.



**\$1.19 billion** Total PST revenue generated from Ontario housing starts, renovations and other related expenditures. A harmonized sales tax will significantly increase provincial sales taxes on new homes and renovations once implemented on July 1, 2010.

**\$590 million** Total EI Premiums generated from Ontario housing starts, renovations and other related expenditures.

**\$129 million** Estimated total WSIB premiums billed to the Home Builder rate group in Ontario.

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# EXECUTIVE SUMMARY

The Ontario Home Builders' Association is pleased to have the opportunity to present its view of government policy and the 2011 provincial budget. The past year has been challenging for new home builders and renovators due in large part to the implementation of the HST and continued economic volatility. Unlike the United States where fundamental structural problems continue to persist, the Ontario housing market has remained a strong driver of growth and job creation.

During the first half of the year home builders witnessed a rush of housing sales, many as a result of purchasers trying to beat the HST tax increase but many more just as part of a strong spring market. Since July there has been some cooling off in sales activity as the market adjusted to the new tax and as broader economic activity moderated.

Housing starts for 2010 are estimated to be approximately 60,500, a healthy increase from the reported 50,370 housing starts the previous year. In times of economic uncertainty the over 334,000 jobs and \$34.4 billion in economic impacts generated through residential construction are a stabilizing force for the Province of Ontario. Therefore it is absolutely critical that all levels of government work with the industry to reduce barriers to growth and government imposed charges to lay the foundation for a sustainable long-term recovery.

The next couple of years are forecast to potentially have slower levels of residential construction activity with downside risks. Owing to economic uncertainty, CMHC has forecasted housing starts to range between 47,000 to 65,000 units the next two years. Housing starts are a lagging indicator after a new home sale has taken place with construction typically occurring three to twelve months following a low-rise sale and up to four years following a high-rise sale.

The regulatory burden on new homes has increased in the past few years in combination with higher levels of taxes, fees and charges – especially development charges, which hurts housing affordability. The combination of slowing demand, increasing taxes, fees, charges and regulations, declining credit conditions and the fragile economy will weigh heavily on residential construction activity. However, there are still many positive indicators in Ontario such as high levels of immigration and historically low mortgage rates; therefore home builders are cautiously optimistic that sales will rebound and will slowly return to long-term averages.

On the downside, residential construction industry is concerned with respect to a number of provincial initiatives that have negative implications for housing affordability and may dampen the economic performance of the industry. Higher sales taxes, potential costly building code changes, mandatory WSIB coverage for independent operators, increasing development charges, restrictions to land supply and a proposed College of Trades are just a few initiatives that will impact housing affordability and choice. The combined cost impacts of these numerous increased regulatory standards and fees could eliminate thousands of would-be



homeowners from the housing market. **A 2010 study of 21 Canadian municipalities by CMHC indicates that new home buyers in Ontario are among the most heavily taxed in Canada.** Given the fragile state of the economic recovery, the province would be well advised to exercise caution when considering public policy that would negatively impact housing affordability.

The introduction of a single sales tax has had significant implications for the provincial economy since it was implemented on July 1, 2010. OHBA recognizes that the comprehensive tax reform package reduces the tax burden on new business investment as well as reducing income taxes for many Ontarians and corporate taxes for many businesses. The HST does, however, have negative sector specific implications for new housing and residential renovations. OHBA is supportive of the enhancements the province made in June 2009 to replace the initially proposed regressive dual threshold sales tax with a progressive tax structure that will be applied to new homes. The residential construction industry through our national association (Canadian Home Builders' Association) is strongly advocating for the federal government to take the same enlightened approach as the Ontario Government with respect to the federal sales taxes (GST) and for the federal government to adopt a single progressive GST threshold.

Over the long term OHBA believes the threshold for the rebate (currently \$400,000) is too low for most modest income new home buyers and should be reviewed on a regular basis to reflect inevitable increases in average new home prices. In light of this issue, an equitable alternative is, over time, to increase the threshold to \$525,000 (the threshold used by the British Columbia government). This would substantially improve housing affordability for the middle class new home buyer and provide an opportunity for the federal government to adopt a progressive rebate for the GST matching B.C. and Ontario and set the stage for a truly harmonized tax policy across Canada.

The residential renovation sector accounts for some \$20.3 billion in investment activity in Ontario and supports approximately 195,000 jobs in the province. The introduction of the HST exacerbated the existing underground economy problem that is rampant in this sector, presenting a myriad of problems including significant losses in tax revenues and increased risk to consumers. OHBA has strongly recommended that both the provincial and federal governments implement permanent tax rebate provisions for contractor renovations. A direct rebate or tax credit to consumers would strongly encourage the use of legitimate contracts and create a paper trail to limit underground economic activity while also stimulating the economy.

Lastly, core infrastructure funding for roads, transit, water and waste-water facilities are priorities for home builders across Ontario to ensure that the province remains economically competitive. OHBA has been very supportive of provincial economic stimulus plans geared towards infrastructure investment and job creation. OHBA recognizes that the economic stimulus of previous budgets will shift to a new period of budget austerity. While total allocations towards infrastructure will likely decline, it is critical the budget and the 10-year capital infrastructure plan focus on core infrastructure as priority investments.



# 1. INTRODUCTION

## 1.1 About OHBA

The Ontario Home Builders' Association is the voice of the residential construction industry in Ontario. OHBA represents over 4,000 member companies, organized through 29 local associations across the province. Our membership is made up of all disciplines involved in residential construction including builders, land developers, renovators, trade contractors, manufacturers, suppliers, realtors, mortgage lenders, apartment owners and managers, housing consultants, economists, planners, architects, engineers and lawyers. Together, they produce over eighty percent of the province's new housing. The residential construction industry employs over 334,000 people and contributed over \$34.4 billion to the province's economy in 2009. From furniture and appliance manufacturers to moving companies and paint stores, the new home construction and renovation industries indirectly contribute to the economic well-being of numerous related businesses and professions.

One of OHBA's primary goals is to positively affect provincial legislation as well as regulatory and tax policies that impact the industry and the broader economy. OHBA is a strong supporter of policies that will ensure affordability and choice in housing for the citizens of Ontario. Our comprehensive examination of issues and recommendations are guided by the recognition that choice and affordability must be balanced with broader social, economic and environmental issues.

Each year at this time, OHBA prepares a pre-budget submission for the Government of Ontario. One of the goals of this report is to provide the government with current information on the state of the housing industry and present forecasts for the upcoming year. The second objective is to draw attention and provide recommendations on issues that could have long-term consequences for both the housing industry and the overall economy.



# 2. KEY RECOMMENDATIONS

## 2.1 Overall Fiscal Policy

OHBA is concerned by the size of the provincial deficit and the overall state of the economy. OHBA recognizes that broader economic turmoil, declining corporate and income tax revenues and the need to pump stimulus into the provincial economy had made deficit spending a necessity over the short-term. However, the economic health of the province remains of the utmost importance to the public, industry and for future generations. As the economy improves, OHBA recommends the province move to substantially reduce the deficit as stimulus spending concludes. OHBA recommends the province continue to support job creation in this budget cycle through additional investments in infrastructure as part of an economic stimulus plan.

## 2.2 Harmonization and Residential Renovations

Prior to the implementation of the harmonized sales tax, the underground economy was estimated to represent some 37% of the total output of residential renovation contractors in Ontario – or approximately \$5.2 billion according to a study by the Altus Group. The introduction of the HST increased the sales tax burden from 5% to 13% and exacerbated the problem of the underground ‘cash’ economy. OHBA strongly recommends that both the Ontario and Federal Governments introduce permanent *Home Renovation Tax Rebates* under the harmonized sales tax for contractor renovations (a 5.4% provincial tax credit and a 2.5% federal tax credit). Building on the success of the Home Renovation Tax Credit, direct and permanent Home Renovation Tax Rebates to consumers would strongly encourage the use of legitimate contractors and create a paper trail to deter underground economic activity and stimulate the economy.

## 2.3 Harmonization and Housing

The significant tax reforms to reduce both personal income and corporate income taxes as well as a shift to a single value-added sales tax in Ontario will produce long-term economic benefits for the province of Ontario. However some sectors such as new housing are faced with changes to tax policy that will result in a heavier overall tax burden.

OHBA is supportive of the enhanced progressive tax structure introduced in June 2009 that protects housing affordability by maintaining a 2% sales tax on the first \$400,000 of a new home and levies additional taxes on the incremental value over \$400,000. The government listened to industry concerns and made concrete changes and improvements to the tax structure. However, as new home prices inevitably increase over the long-term, this threshold for the rebate will become too low to reflect the purpose of the rebate – to guarantee tax neutrality for most low and modest income new home buyers.

In light of this issue, the **threshold should be reviewed on a regular basis**. OHBA suggests an equitable alternative is to increase the threshold to \$525,000 – the threshold





used in the new housing rebate established by the British Columbia government. This would substantially improve housing affordability for the middle class new home buyer and provide an opportunity for the federal government to adopt a progressive rebate for the GST matching B.C. and Ontario and truly harmonize housing tax policy (while reducing provincial and federal taxes on new housing).

## 2.4 Infrastructure / Transportation

The residential construction industry is encouraged by the significant infrastructure investments the province has made as part of its economic stimulus package. These investments have supported **job creation** during these challenging economic times. Periods of economic stagnation provide an opportunity for government to build a solid foundation for the next growth cycle. OHBA recommends that the province continue to make significant investments in transportation, water and waste-water infrastructure in the 2011 provincial budget.

This budget and the incoming ten-year infrastructure plan must provide stability and predictability for the province's municipal partners and private sector stakeholders. By bringing predictability, accountability and transparency to the process, the private sector can target its resources and make sound investment decisions based on the certainty of future government investments. Stable and long-term funding of provincial priorities should be a key principal of any infrastructure plans.

OHBA believes the **expansion of core infrastructure** in support of a growing economy and growing population should be a key priority for the provincial government. However, just as important a principle is the ongoing maintenance and state of good repair for Ontario's existing infrastructure assets. The provincial government should view infrastructure not as a costly expense, but as an investment in Ontario's future. Infrastructure is the key to enhancing productivity with the goals of improving our quality of life, productivity and the competitiveness of Ontario in an ever-increasingly globalized economy.

## 2.5 Taxes, Charges and Fees

Home builders are concerned that **escalating taxes, charges and fees** across Ontario are having a severe impact on housing affordability and choice. Municipalities are increasingly relying on contributions from the new housing sector through development charges and other taxes and fees rather than making politically unpopular decisions to increase property taxes. The sizable development charges increases over the past few years are particularly troubling and completely disregarded the fact that the province was in the midst of a recession. Substantial increases in taxation is especially problematic considering that the residential construction industry has been a key driver supporting jobs during economically challenging times. OHBA applauds the steps taken in the Provincial Municipal Fiscal and Service Delivery Review to relieve financial pressure on municipalities by phasing in a social services upload over the next decade. As the upload is implemented, municipalities should have greater fiscal capacity to make investments in local hard infrastructure. OHBA recommends the province continue with the scheduled uploading plan despite the current provincial deficit.



# 3. STATE OF THE HOUSING MARKET IN 2010

## 3.1 Overview

In 2010, Ontario's housing market rebounded slightly from a very challenging year in 2009. Despite the encouraging increase in activity, housing starts remain far below cyclical peaks earlier in the decade. The 2010 market has been defined by a pre and post HST regime. During the first half of the year home builders witnessed a rush of housing sales, many as a result of purchasers trying to beat the HST tax increase but many more just as part of a strong spring market. After July there has been some cooling off in activity as the market adjusted to the new tax and as broader economic activity moderated. The industry and consumers remain extremely sensitive to changes in market sentiment, government imposed charges and increases in mortgage rates.

OHBA is concerned that despite signs of recovery, employment numbers in Ontario have trailed national averages. Ontarians without a job, or who are concerned about job security, are highly unlikely to consider purchasing or renovating a home. Consumer confidence has eased in recent months as Ontarians have become more concerned by the strength of the recovery. There remains tremendous uncertainty with downside risks in looking forward to the 2011 housing market.

▲ Housing starts in 2010 as a result of previous sales are expected to reach 60,500, up from the previous year's 50,370.

▲ Housing starts were generally up in most regions across the province as a result of improved new home sales.

▲ CMHC is suggesting that improved resale market activity will boost starts later in 2011. Furthermore, rising mortgage carrying costs will reduce demand for more expensive single-family housing while shifting demand to less expensive row housing, apartment ownership (condos) and rental accommodation.

▲ Low-rise new homes sales in the GTA were very strong in the first half of 2010 as consumers sought to beat the HST. However, land supply issues for low-rise housing are limiting market potential and inflating prices despite a slowdown in activity.

INCREASES		DECREASES	
Hamilton	92%	Sarnia	-30%
Barrie	60%	North Bay	-14%
Kitchener	22%	Kingston	-9%
Ottawa	11%	London	-4%
Toronto	13%		

Source: CMHC (January – November 2010)

### ONTARIO RESALE HOUSING

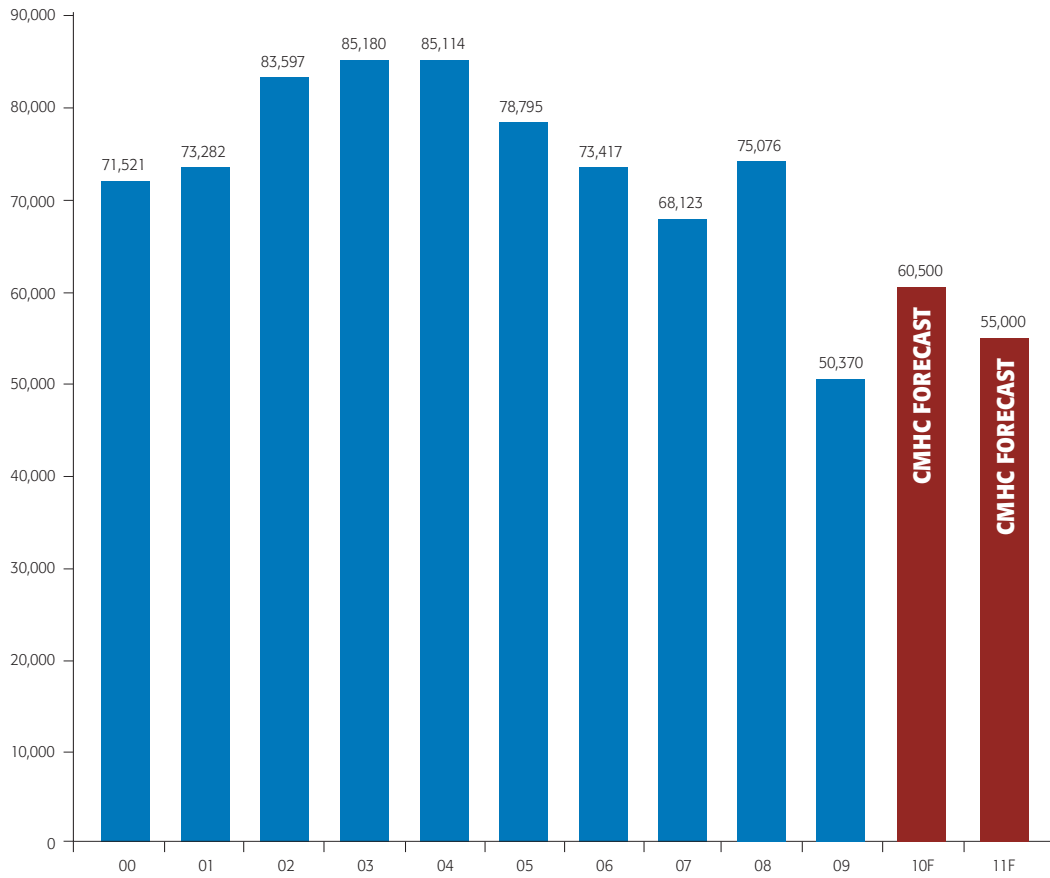
	MLS Price	MLS Sales
2004	\$246,000	197,353
2005	\$263,042	197,007
2006	\$278,455	194,793
2007	\$299,544	213,379
2008	\$302,354	181,001
2009	\$318,366	195,840
2010F	\$342,600	191,800
2011F	\$341,200	183,500

Source: CMHC



- ▲ The GTA condo market has been exceptionally strong and is being driven by investors, in particular foreign investors that have a favourable long-term view of the political and economic stability of the Canadian market.
- ▲ There are a number of risks that may impact the residential construction industry in 2011, including:
  - Consumer confidence is highly sensitive;
  - Risk of increasing mortgage rates in the second half of 2011;
  - Declining/stagnant employment;
  - Additional increases in municipal development charges;
  - Land availability, especially in the GTA and Ottawa is a major concern;
  - Expanding underground economy.

**ONTARIO HOUSING STARTS – 2000-2011(F)**



Source: CMHC



## 3.2 The Ontario Housing Market in 2010

The past year can be defined as an emergence from the recession, especially when our housing market is compared to our neighbouring Great Lake States. The year 2010 remained a challenging year for all stakeholders involved in the residential construction industry. Strong sales in the first half of the year yielded to slower sales over the final two quarters. There were tremendous fiscal and logistical challenges with respect to the implementation of the HST. The complexity of the transitional adjustments was a particular challenge for many new home builders and for consumers. Consumer confidence was remarkably strong in the first half of the year, however it remains fragile and is showing signs of weakness. Furthermore, employment in Ontario continues to lag behind other provinces and will weigh on the prospects for a sustainable recovery.

*“We are watchful of the job market, as employment remains a key indicator of economic health and something that could dampen performance over the coming year.”*

*2010-11 OHBA President, Bob Finnigan, December 8, 2010 Media Release*

Development charges have continued to increase substantially in many jurisdictions across the province despite the broader economic downturn and modest levels of residential construction activity. In the GTA there are now several jurisdictions that have development charges in excess of \$40,000 for a single-family home, with single-family homes in Oakville carrying the heaviest charge at approximately \$54,000. OHBA notes that a few jurisdictions including Oshawa and Toronto had temporarily frozen or lowered charges to assist the industry and consumers through difficult economic circumstances. Housing affordability is a major concern for the industry and should be a concern of the provincial government. If Ontario is to remain competitive in an increasingly globalized economy with a mobile workforce it is essential that home ownership be an affordable and attainable objective for the middle class.

CMHC is forecasting 60,500 housing starts in 2010 and 55,000 in 2011. The annual OHBA economic fore-

cast survey indicated that builders are less optimistic than last year regarding construction activity this year.

The renovation market was fairly resilient to the strong economic headwinds in 2010, however there has been a shift to more ‘do-it-yourself’ jobs and to the underground economy as a 13% sales tax took effect. This will have long-term consequences for consumers, legitimate contractors and on government revenues.

### OHBA ECONOMIC FORECAST SURVEY

Builder members polled were asked:

**Compared to this years’ housing starts, do you expect starts next year to ... ?**

	2008 Survey	2009 Survey	2010 Survey	2011 Survey
Increase	21.6%	2.7%	48%	<b>20%</b>
Same	45.4%	17.9%	36%	<b>51%</b>
Decrease	33.0%	79.3%	16%	<b>30%</b>



Across Ontario both the low-rise market and the high-rise condo market experienced a very strong rebound in sales activity during the first half of the year. Since then, low-rise sales have slowed, but the high-rise market continued to have strong sales throughout the third and fourth quarters. OHBA cautions, however, that this rebound in sales volumes was primarily being driven by low mortgage rates, beating the HST and foreign investment in condos. The Bank of Canada is expected to keep rates in check for the first half of 2011. OHBA anticipates a slow-down in sales volumes as borrowing rates increase in late 2011 and 2012. More expensive single detached housing markets will be more vulnerable to higher mortgage carrying costs and therefore lower housing demand. Low mortgage rates have been masking declining affordability and OHBA is concerned about the ability for consumers to pay the higher costs of housing at higher mortgage rates.

***“Historically low mortgage lending rates and continued population growth of over 100,000 per year in Ontario are key factors that are supporting affordability and strength in the housing market.”***

***2008-09 OHBA President, Frank Giannone, November 10, 2008 Media Release***

Home builders are very concerned with respect to the decreasing supply of available land in Ontario. Specifically, municipal regulations in the Ottawa-Carleton region have severely restricted land supply and contributed to increased costs, therefore reducing housing affordability. In the Greater Golden Horseshoe, the impacts of the land restrictions due to the greenbelt, Conservation Authorities and the slower implementation and conformity to the growth plan will have long-term impacts on housing affordability. OHBA is concerned that the criteria to “Grow the Greenbelt” may result in greenbelt expansions in the “white-belt” areas between the greenbelt and current urban areas where growth should be directed. Furthermore, Conservation Authorities continue to carve up white belt lands with ever-increasing buffers, which creates a fragmented land supply of developable land. Land supply issues across the province are reducing housing affordability and limiting housing options for Ontarians.

Resale activity has rebounded strongly in the later half of 2009 and remained strong throughout most of 2010 which bodes well for future renovation spending. However, the HST added another 8% on top of the 5% GST and has exacerbated an ongoing problem with the underground ‘cash’ economy. OHBA strongly encourages both the Province of Ontario and the Government of Canada work in partnership to introduce a permanent renovation rebate or tax credit for a portion of both the GST and provincial share of the 13% single sales tax.



### 3.3 Market Trends

The current housing cycle peaked in 2003 and 2004 with 85,180 and 85,114 housing starts respectively with housing starts dipping to 50,370 in 2009. Activity in 2010 is forecasted by CMHC to increase to approximately 60,500 housing starts.

Renovation spending this year is expected to be on par with the previous year, CMHC is forecasting a slight increase from \$23.1 billion in 2010 to \$23.3 billion in 2011. In addition, Ontario's resale market will decrease slightly with forecast volumes of 191,800 in 2010, dipping to 183,500 units in 2011.

Short-term mortgage rates are anticipated to remain low as the Bank of Canada attempts to stimulate the economy. Posted mortgage rates are anticipated to remain flat during the first half of the year and gradually rise at a slow pace through 2010. CMHC forecasts the one-year posted mortgage rate to be in the 2.7% to 3.7% range in 2011 and the five-year posted mortgage rate to be in the 3.5% to 6.0% range.

*“The Bank of Canada needs to remain mindful of the fragile state of the marketplace and the next few months is not a good time for interest rate increases.”*

*2010-11 OHBA President Bob Finnigan, December 8, 2010 Media Release*

### 3.4 Economic Impact of Housing

A healthy residential construction sector is not only indicative of a sound economy in general, it is also a precursor to future growth. Economic expansion traditionally begins with rising housing starts as well as industrial and commercial development. This, in turn, leads to new infrastructure projects and institutional expansion, providing the necessary foundation for the next generation of economic activity.

#### FISCAL IMPACTS IN 2009, DUE TO RESIDENTIAL CONSTRUCTION ACTIVITY

(millions of \$)

		New Residential Construction	Residential Renovations	Other Related Expenditures	Total
Personal Income Tax	Federal	\$ 680	\$ 1,250	\$ 130	\$ 2,060
	Provincial	\$ 370	\$ 690	\$ 70	\$ 1,130
	Total	\$ 1,050	\$ 1,940	\$ 200	\$ 3,190
CPP Premiums		\$ 470	\$ 860	\$ 90	\$ 1,420
EI Premiums		\$ 190	\$ 360	\$ 40	\$ 590
GST Revenue		\$ 610	\$ 1,310	\$ 110	\$ 2,030
PST Revenue		\$ 450	\$ 670	\$ 70	\$ 1,190
Total Government Revenue		\$ 2,770	\$ 5,140	\$ 510	\$ 8,420

Source: Will Dunning Inc.



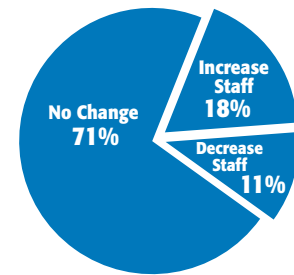
In 2009 the residential construction industry (both new housing and renovations) contributed over \$34.4 billion to the provincial economy and created an estimated 182,100 direct on-site jobs and 151,700 indirect off-site jobs, resulting in a total of 333,800 person years of employment. The total wages generated from the residential construction industry was over \$16.9 billion. The taxation revenue generated for the Federal and Provincial governments from the residential construction industry totalled approximately \$8.4 billion in 2009. However, the decline in housing and renovation activity over the past couple of years has resulted in fewer overall jobs and lower taxation revenues for all levels of government.

On average in Ontario, each new house purchased generates up to \$100,000 in taxes and fees collected by all three levels of government. In addition, there is on-going tax revenue generated year after year for municipalities through property taxes. Add to that over \$5 billion in tax revenues collected from the renovation sector and it is apparent that our industry provides sizeable revenue to governments as well as significant employment opportunities for Ontarians.

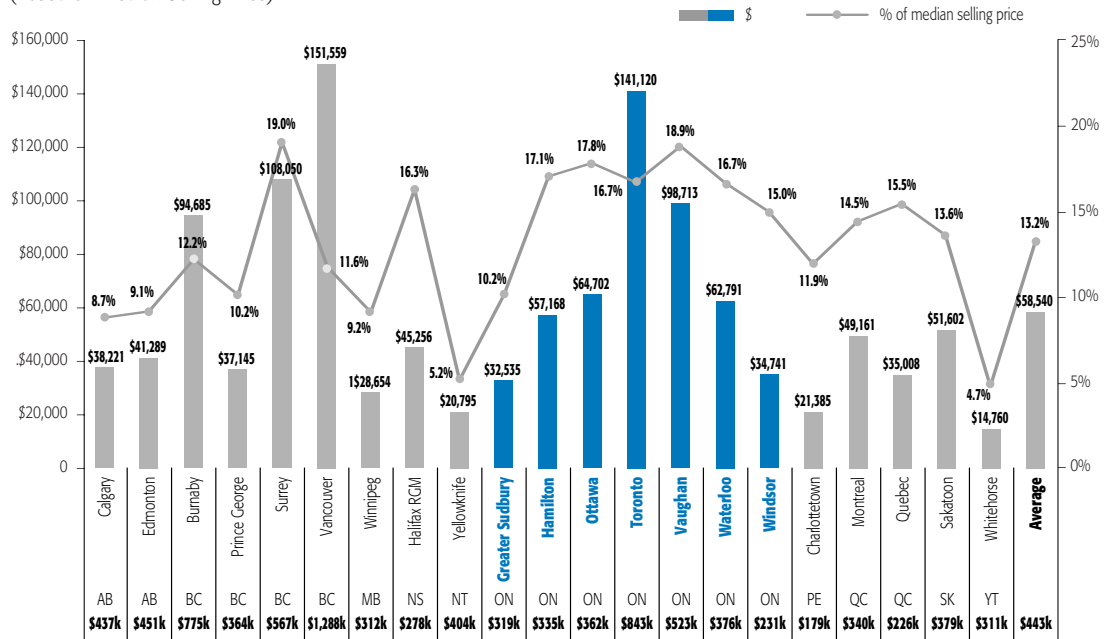
The November 2010 CMHC study *Government Imposed Charges on New Housing in Canada* examined new housing data for 2009 in seven Ontario municipalities (21 across Canada). The study of the full range of levies, fees, charges and taxes imposed by all levels of government determined that the government imposed charges (GICs) for median priced single-family homes ranges from a low of \$32,535 in Sudbury to a high of \$141,120 in Toronto.

**OHBA 2011 ECONOMIC FORECAST SURVEY**

Builder members polled were asked:  
**With respect to employment in 2011, does your company plan to:**



**New Single Detached Homes – 2009 Total Estimated Municipal, Provincial and Federal GICs**  
(Based on Median Selling Price)



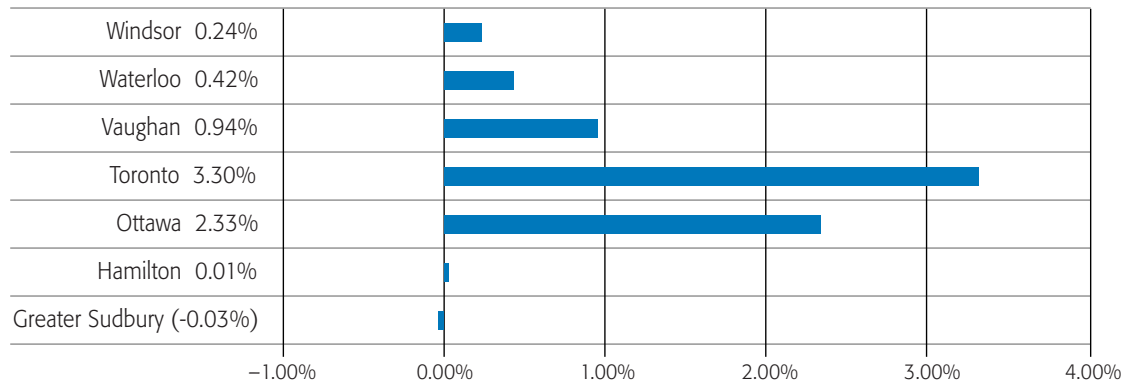
Source: Canada Mortgage and Housing Corporation



Total GICs as a percentage of the price on a median priced single-detached dwelling in the seven Ontario municipalities studied ranged from 10.2% in Sudbury to 18.9% in Vaughan. In fact, other than Sudbury, the remaining six Ontario municipalities involved in the study all had GICs of over 15% of the median selling price. Furthermore, when compared to the previous 2007 CMHC study, GICs as a percentage of overall home prices has increased across Ontario. OHBA is alarmed by the upward trend in taxation on new housing.

**% Change in Municipal, Provincial and Federal Estimated Government Imposed Charges  
2006 to 2009 as a share of the selling price**

(Median Priced - Single Detached Unit)



Source: Canada Mortgage and Housing Corporation

The increase in GICs between the 2006 and the 2009 CMHC studies are a significant concern to OHBA. Not only have the absolute GICs increased as a dollar figure per home (i.e. Toronto GICs on a median priced single detached dwelling increased from \$101,526 and 13.5% of the price in 2006 up to \$141,120 and 16.75% of the price in 2009), but GICs have increased in six of seven Ontario municipalities as a percent of the selling price since the previous CMHC study was conducted.

In addition to direct government imposed charges on new housing, both the federal and provincial governments benefit tremendously from income taxes generated from those employed in the residential construction industry as well as CPP, EI and WSIB premiums generated from Ontario housing starts, renovations and other related expenditures.





# 4. FACTORS AFFECTING HOUSING

## 4.1 Underground Economy, Harmonization and Renovations

Pressure from the underground economy continues to plague our industry, particularly in the renovation sector where a high percentage of work is done for “cash-under-the table”. These unscrupulous workers hurt the reputations and competitiveness of legitimate renovation contractors and cheat governments out of billions of dollars.

There are many other negatives attributes to underground construction work. An increased share of tax contributions unfairly burdens legitimate contractors and workers. Coping with tight profit margins, the legitimate contractor has difficulty competing with the underground operator. Health and safety standards of workers in the underground are not likely to be met, warranties are generally non-existent and consumers suffer with little or no recourse in the event of shoddy or unsafe workmanship.

The \$23 billion renovation sector that employs approximately 200,000 Ontarians is particularly vulnerable to the ‘**cash deal**’. OHBA is concerned that the 13% single sales tax has had a negative impact on renovations – in particular the contractor renovation segment which accounts for about 70% of renovation investment in the province. In a report released in November 2009, the Altus Group states:

- ▲ The single sales tax will increase the annual tax burden on homeowners and rental housing investors in the province by some \$757 million annually and **triple the sales tax rate on contractors’ renovations** in Ontario;
- ▲ The introduction of the single sales tax will reduce the volume of renovation activity by contractors because of the higher costs for homeowners, resulting in lower economic activity and employment in the province;
- ▲ The single sales tax may shift more renovation and repair jobs from contractor assignments to do-it yourself projects. The shift to do-it-yourself work could have long-term negative consequences for the quality of the existing housing stock in Ontario;
- ▲ The single sales tax is likely to shift more activity into the “underground economy” with implications on government tax revenue, renovation quality and homeowner liability.



The introduction of the single sales tax has unequivocally exacerbated an existing problem (5% GST had already previously encouraged many consumers to seek 'cash deals') and also presents a myriad of problems, including losses in tax revenues and increased risks to consumers. The underground economy also distorts normal market functionality. Some of the problems associated with the underground economy for renovations are estimated to include:

- ▲ Significant government revenue leakages such as:
  - Loss of up to **\$298 million** in **GST revenue** annually;
  - Loss of up to **\$1.6 billion** in **income tax revenue** annually;
  - Loss of up to **\$767 million** from other revenues such as **CPP, WSIB, EHT and Employment Insurance premiums;**
- ▲ Creating barriers for the industry's future development;
- ▲ Introducing risks to consumers (financial and liability);
- ▲ Introducing health and safety risks to construction workers; and
- ▲ Undermining the integrity of the tax system.

***“Too often, homeowners leap into agreements with unprofessional renovators without knowing about the company or quality of work they perform.”***

***2008-09 OHBA President Frank Giannone, January 28, 2009 Media Release***

To mitigate the impact of the cumulative 13% sales tax on the underground, OHBA recommends that:

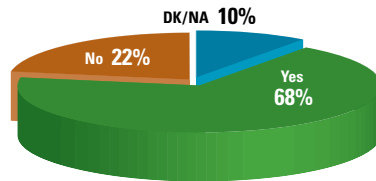
- ▲ Both the provincial and federal governments introduce permanent **Home Renovation Tax Rebates** for their portions of the Single Sales Tax in Ontario. The rebates should go directly to consumers to encourage the collection of receipts from legitimate business.
- ▲ The Ontario government implement a permanent Home Renovation Tax Rebate for contractor renovations, which would rebate 5.4% of the contract value on all qualifying contractor renovations. The 5.4% is calculated as the difference between the 8% provincial portion of the Single Sales Tax, and the 2.6% estimated to be currently embedded in contractor renovations as a result of Provincial Sales Tax.
- ▲ The Federal Government should implement a new permanent Home Renovation Tax Rebate following the success of the *Home Renovation Tax Credit*, which would rebate 2.5% of the contract value on all qualifying contractor renovations. The 2.5% is calculated as the difference between the 5% GST and the 2.5% estimated to previously have been embedded in contractor renovations under the Federal Sales Tax.

A recent poll by Environics Research found that a majority of Ontarians have paid cash for a renovation job and that a government tax credit or rebate would provide an incentive for consumers to pay for legitimate contractors. In an Environics survey commissioned by OHBA, 56 per cent of Ontarians admitted they have paid cash and avoided taxes for a renovation or repair job. The results of this survey demonstrate the scope of the problem and the need for an effective solution.

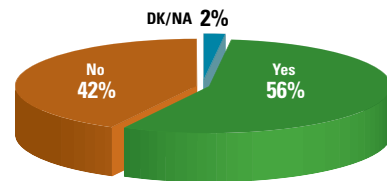


More than two-thirds surveyed said that they would be less likely to pay cash if they were to receive a provincial or federal tax credit back from the government.

*If you were able to receive a provincial or federal tax credit or tax rebate back from the government for renovations, similar to the previous federal renovation tax credit, would you be less likely to pay cash and more likely to pay the tax?*



*Have you ever paid cash for a home repair or renovation job?*



The survey, conducted by Environics Research, polled 1113 home owners throughout the province. The margin of error is +/- 2.9%, 19 times out of 20.

Government and industry are taking positive steps to curb underground activity. OHBA, through its renovator members, continues to educate consumers about the perils of dealing with contractors in the underground economy and encourages potential customers to pursue the skills of a professional contractor. OHBA is supportive of the **RenoMark™ Program** and has purchased licenses for all 29 local Ontario home builders associations. In order to be a member in good standing with RenoMark™, renovator members have agreed to abide by a set of standards which ensure transparency and accountability. Some measures include: offering a minimum two-year warranty on all work, carrying a minimum of \$2 million liability insurance, having proper insurance coverage and only employing subcontractors that carry such coverage and carry applicable licenses and permits for each job.

*“If a rebate system was in place it would encourage consumers to ask a renovator for receipts, creating a paper trail for the Canada Revenue Agency to monitor. A rebate program is a responsible, targeted policy that will shed light on the underground economy.”*

*2010-11 OHBA President Bob Finnigan, November 9, 2010 Media Release*

## 4.2 Updating HST Thresholds

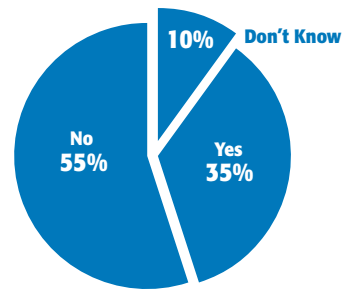
The implementation of a single sales tax in combination with income and corporate tax reductions was a step taken by the provincial government to encourage investment and job growth. OHBA recognizes that the shift to a value-added tax will yield long-term economic benefits for capital investment, income growth and job creation. Furthermore the tax reform package includes personal income tax cuts, enhanced property tax credits, an elimination of the small business deduction surtax and a reduction in the corporate income tax. However, the harmonized sales tax has significant industry specific taxation implications for residential construction.



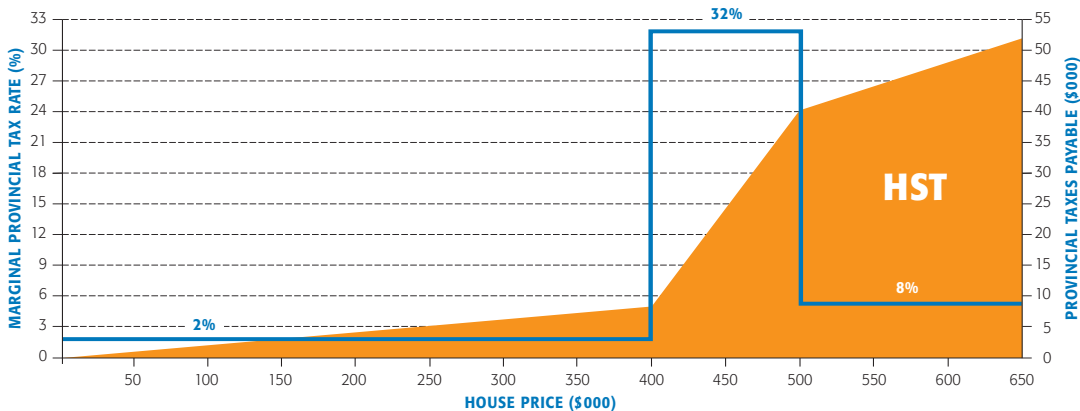
The initial harmonized sales tax proposal would have resulted in significant taxation increases for new housing and was based on a regressive tax structure with dual thresholds that the federal government implemented when the GST was introduced. The initially proposed tax structure would have implemented the highest marginal tax rates on the middle class with a claw-back of the rebate on new homes valued above \$400,000 and a complete elimination of the rebate on new homes valued over \$500,000. This proposed tax structure would have been devastating for housing affordability and would have created significant market distortions, especially to the middle class in urban communities with higher land values.

**OHBA 2011 ECONOMIC FORECAST SURVEY**

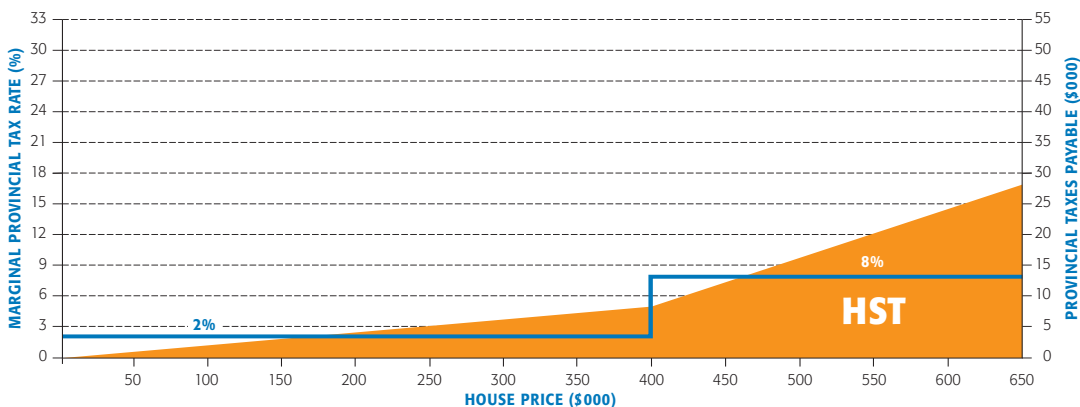
Builder members polled were asked:  
**Have suppliers and manufacturers passed on cost/tax savings to your business due to HST?**



**TOTAL PROVINCIAL TAXES AND MARGINAL TAX RATE ON NEW HOUSING UNDER ORIGINAL HST PROPOSAL (March 2009)**



**TOTAL PROVINCIAL TAXES AND MARGINAL TAX RATE ON NEW HOUSING UNDER REVISED HST STRUCTURE (June 2009)**



In June 2009, in response to industry concerns regarding both the proposed tax structure, marginal tax rate issues and on the quantum of the proposed tax increase the provincial government implemented an **enhanced progressive tax structure** for the application of HST on new housing. OHBA is supportive of the of the enhancements the provincial government made to the tax structure as it applies to new housing and is strongly advocating through our national association for the federal government to adopt the same progressive tax structure as it applies to the GST and new housing.



*“The Provincial government has made positive changes to the harmonized sales tax structure as it applies to new housing and has listened to the concerns of new homebuyers and the tens of thousands of hard working Ontarians employed in the residential construction industry.”*

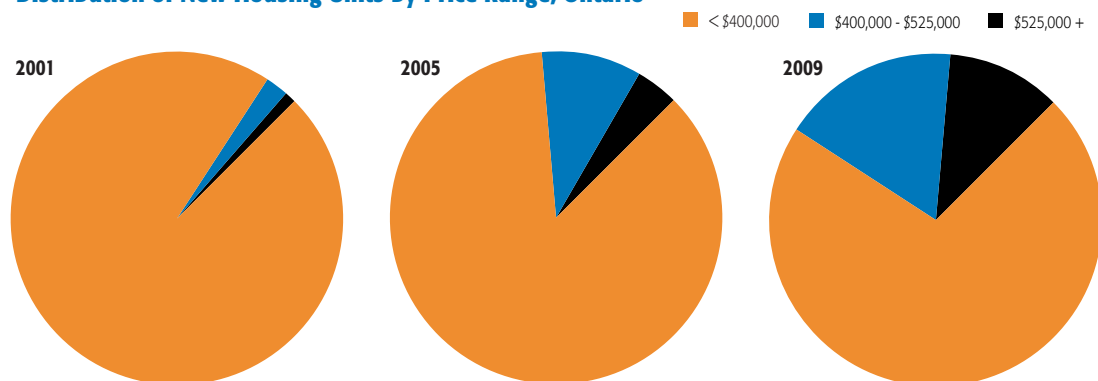
*2008-09 OHBA President Frank Giannone, June 19, 2009 Media Release immediately following the provincial announcement of changes to tax structure as it applies to new housing*

When the federal government first introduced the GST and the New Housing Rebate, the federal government committed to adjust the thresholds “at least every two years” to ensure that they continued to reflect changes in housing prices, and thus to protect housing affordability over time in all parts of Canada. Although the federal government has not delivered on this commitment, the principle that it established – the protection of housing affordability through appropriate rebate threshold adjustments, remains important. Ontario has been silent on the issue of future adjustments to the threshold used in its New Housing Rebate. OHBA recommends that a provincial commitment should be made to revisit the ‘threshold’ value from time-to-time.

Ontario housing prices tend to rise over time and in the decade leading up to 2008, the new housing price index has increased some 46%, compared with general inflation that rose by 26%; and median family income which advanced by 18%. As a result of faster housing price appreciation, an ever-growing share of new homes are valued at the high-end of the price range and it is critical to understand that a large number of households living in homes valued above \$400,000 are middle income families. The HST on new homes valued over \$400,000 significantly pushes up housing costs and increases the financial burden on middle income and middle class families.

To mitigate the negative effects and avoid further erosion in housing affordability in the coming years, the **threshold of the tax rebate on new housing must be reviewed regularly**. This will ensure that the tax rebate continues to reflect changes in housing prices and protect housing affordability over time.

**Distribution of New Housing Units by Price Range, Ontario**



Source: Altus Group Economic Consulting based on data from Tarion Warranty Corporation



An option favoured by OHBA would be to increase the threshold to \$525,000 as it is not only high enough to maintain tax neutrality for the majority of middle class Ontario new home buyers, but it is also the threshold used in the new housing rebate established by the British Columbia government. If the rebate threshold for the Ontario new housing rebate were changed to an initial value of \$525,000, the government would collect lower sales tax revenue and the Altus Group estimates that the total potential 'cost' to the government would be some \$71 million annually (based on 2009 data from the Tarion Warranty Corporation).

Although this proposal involves a cost to the provincial treasury in terms of lost tax revenue, the increase in the threshold would be beneficial in terms of economic development and help promote housing affordability and consumers would save some \$71 million on their purchases of new homes. Furthermore this would provide an opportunity for the federal government to adopt a progressive rebate structure for the GST matching B.C. and Ontario and truly harmonize housing tax policy.

### 4.3 Infrastructure

Infrastructure stimulus is the most important tool the government has to create jobs in the short-term and to lay the foundation for future prosperity and productivity gains. Our members are very concerned about the province's aging and neglected infrastructure, given the current and future population growth in Ontario. To ensure a high quality of life and prosperous economy, the province must continue to significantly invest to expand and repair existing infrastructure.

OHBA believes the expansion of core infrastructure in support of a growing economy and growing population should be a key priority for the provincial government. However, just as important a principle is the ongoing maintenance and state of good repair for Ontario's existing infrastructure assets. The provincial government should view infrastructure not as a costly expense, but as an investment in Ontario's future. Infrastructure is the key to enhancing productivity with the goal of improving our quality of life, productivity and the competitiveness of Ontario in an ever increasingly globalized economy.

#### OHBA 2011 ECONOMIC FORECAST SURVEY

Builder members polled were asked:

***What should Premier McGuinty's top priority be for the 2011 budget?***

Job Creation	59%
Deficit Reduction	21%
Infrastructure	10%
Personal / Corporate Tax Reductions	7%
Other	3%

The ten-year capital infrastructure plan is of key importance to the residential construction industry. **Investments made by the public sector facilitate additional private sector investment and job creation from our members.** The key for the residential construction industry can be summed up in a word – 'certainty'. A ten-year plan that provides stability and predictability as to when and where infrastructure dollars are going to be spent, will allow for the private sector to adequately plan projects and target its investments to utilize new and upgraded public infrastructure facilities.



In September 2009 OHBA passed a resolution stating: “Infrastructure stimulus funding that is currently being rolled out to support economic growth should place a strong emphasis on expanding, upgrading and enhancing **core infrastructure** that supports housing intensification”. OHBA’s definition of core infrastructure typically includes: roads and bridges; public transit; water supply and waste water treatment systems.

Core infrastructure consists of the key building blocks for a growing economy and population. The provincial government should place core infrastructure as a priority over other types of community infrastructure. Roads, bridges, water, waste-water and public transit facilities support additional value added private sector investments from a variety of sectors including the residential construction industry.

*“The continued stimulus funding focusing on infrastructure and job creation will spur growth and solidify Ontario’s path to recovery.”*

*2009-10 OHBA President James Bazely, March 25, 2010 Media Release*

#### **4.4 Long-Term Affordable Housing Strategy**

OHBA commends the Province of Ontario for its commitment to expand opportunities for those living in poverty, and to reduce poverty. We recognize that a comprehensive *Poverty Reduction Strategy* did include a number of inter-related government policies, programs, and potential initiatives including a *Long-Term Affordable Housing Strategy*.

During extensive province-wide consultations on a *Long-Term Affordable Housing Strategy*, OHBA expressed strong support for measures to reduce the barriers for secondary suites in communities across Ontario (a secondary suite is an affordable rental option such as a basement apartment). **OHBA strongly endorses the inclusion of secondary suites in the strategy** and we applaud the province for its efforts to enhance affordable options for Ontarians.

Secondary suites offer a valuable opportunity to create a new supply of affordable housing in both new and existing communities for seniors, students and families. This is a broad-based solution that will create more equity and choice for renter households by providing access to communities in which they were previously excluded. Furthermore, secondary suites provide an important source of income for younger families and first-time home buyers struggling to make mortgage payments. This really is a win-win situation in terms of affordability both for renters and for home owners.

*“Secondary suites present an opportunity to reduce the strain on the health care system when aging parents can move in with their children to provide them with security, care and privacy.”*

*2010-11 OHBA President Bob Finnigan, November 29, 2010 Media Release*



It is now critical that municipalities quickly make amendments to their official plans to contain policies authorizing the use of a secondary unit as required in the proposed **Strong Communities through Affordable Housing Act, 2010**. OHBA also strongly encourages home owners to utilize the services of legitimate professional renovators when adding a secondary suite rather than unscrupulous underground operators to ensure units are built safely, up to building code standards and with all necessary permits.

## 4.5 Government Imposed Charges

Home builders are proud to support the financing of infrastructure directly tied to the communities they build. New communities also bring important new property assessment to municipalities across the province and provide an important residential population base to support job growth. The residential construction industry and our new home buyers pay the capital costs related to growth while supporting the economy through both direct and indirect jobs and the additional tax revenue generated for all three levels of government.

Our members are, however, gravely concerned that many municipal politicians have continued to view new home buyers as an easy target for additional taxes, levies and fees while artificially suppressing property taxes to appease existing ratepayers (voters). OHBA is concerned that charges and fees derived from housing developments in many municipalities have **escalated beyond a reasonable direct cost recovery level** and are being viewed as a general revenue source. Home builders support paying for growth related infrastructure, however, existing home owners are not paying their fair share through property taxes. New home buyers have proven to be the path of least resistance for municipal politicians to implement higher taxes, fees and charges. OHBA understands that many municipalities are fiscally challenged; however, it is not the responsibility of new housing consumers to substitute for general tax base revenue.

In 2010 CMHC conducted a study (2009 data) of the total Government Imposed Charges (GICs) paid on median priced new detached dwellings in 21 municipalities across Canada. This includes all municipal and provincial GICs, and the federal GST. The graph below illustrates the total GICs paid in the seven Ontario municipalities as included in the study.

### 2009 TOTAL ESTIMATED MUNICIPAL, PROVINCIAL AND FEDERAL GOVERNMENT IMPOSED CHARGES FOR NEW DETACHED DWELLINGS WITH MEDIAN SELLING PRICES

Centre	Decreasing <i>relative</i> value of GICs			Centre	Decreasing <i>absolute</i> value of GICs		
	Median Selling Price	Total GICs	% of Selling Price		Median Selling Price	Total GICs	% of Selling Price
Vaughan	\$523,295	\$98,713	18.86%	Toronto	\$842,743	\$141,120	16.75%
Ottawa	\$362,489	\$64,702	17.85%	Vaughan	\$523,295	\$98,713	18.86%
Hamilton	\$335,141	\$57,168	17.06%	Ottawa	\$362,489	\$64,702	17.85%
Toronto	\$842,743	\$141,120	16.75%	Waterloo	\$375,903	\$62,791	16.70%
Waterloo	\$375,903	\$62,791	16.70%	Hamilton	\$335,141	\$57,168	17.06%
Windsor	\$231,428	\$34,741	15.01%	Windsor	\$231,428	\$34,741	15.01%
Greater Sudbury	\$318,663	\$32,535	10.21%	Greater Sudbury	\$318,663	\$32,535	10.21%

Source: Canada Mortgage and Housing Corporation





Government imposed charges are a challenge for the residential construction industry and present an affordability barrier for new home buyers. In Ontario GICs in the seven municipalities included in the CMHC study represent 10.2% – 18.9% of the price on a median priced single-detached dwelling and increased as a portion of housing prices since the previous study in 2007. In comparison to other jurisdictions across Canada, Ontarians typically pay higher government imposed charges as a percentage of the price of a new home

<ul style="list-style-type: none"> <li>• Development Charges               <ul style="list-style-type: none"> <li>– Municipal Development Charges</li> <li>– Regional Development Charges</li> <li>– Education Development Charges</li> <li>– GO Transit Development Charges</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Environment Engineering Review</li> <li>• Land Registry Closing Fees (Title Registration)</li> <li>• Conservation Authority Fees</li> <li>• Electrical Permit - Electrical Safety Authority</li> <li>• Legal Fees</li> </ul>
<ul style="list-style-type: none"> <li>• Various Additional Municipal Charges               <ul style="list-style-type: none"> <li>– Storm Water Management</li> <li>– Topsoil Removal Fee</li> <li>– Regional Water Meter Fee</li> <li>– Engineering Design Review and Inspection fee</li> <li>– Public Art Charges</li> <li>– Engineering Fees</li> <li>– Parkland Dedication Fees (Cash-in-Lieu)</li> <li>– Building Permit Fees</li> <li>– Metropasses (Toronto)</li> <li>– Section 37</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Land Transfer Tax               <ul style="list-style-type: none"> <li>– Provincial LTT</li> <li>– Toronto LTT</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Planning Fees (Various Development Application &amp; Processing Fees)               <ul style="list-style-type: none"> <li>– Plan of Subdivision (singles and row houses)</li> <li>– Plan of Subdivision Registration/Review</li> <li>– Site plan approval</li> <li>– Plan of Condominium</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• HST (Provincial portion + GST)</li> <li>• Costs associated with municipal by-laws</li> <li>• Additional costs due to building code changes</li> </ul>
	<ul style="list-style-type: none"> <li>• WSIB Premiums (Home Builder Rate Group) + WSIB Premiums passed on to builders by trades</li> </ul>
	<ul style="list-style-type: none"> <li>• Surcharges imposed by trades to cover potential Ministry of Labour safety fines</li> </ul>
	<ul style="list-style-type: none"> <li>• Tarion Registration Fees</li> <li>• Tarion Enrolment fees</li> </ul>

For more detailed information from the CMHC 2010 study, please see Appendix C.



# 5. CONCLUSION

## 5.1 Conclusion

With Ontario dealing with a global economic downturn that is largely beyond its control, the province certainly had a challenging year. OHBA recognizes that the province has a limited arsenal of policy and taxation tools to counter the tidal wave of economic challenges that have come our way. The province must, however, continue to focus on job creation, a competitive business environment and infrastructure stimulus while making progress on deficit reduction.

The implementation of the HST in combination with income and corporate tax reductions is a step the province took to encourage investment and job growth. However, the tax reforms have direct consequences for a number of affected industries including residential construction. OHBA is supportive of the of the enhancements made to the tax structure as it applies to new housing and is strongly advocating through our national association for the federal government to adopt the same progressive tax structure as it applies to the GST and new housing. However the province must commit to a regular review of the \$400,000 threshold to ensure middle class homebuyers are not overburdened by taxation as new home prices inevitably increase in the years ahead. Lastly, OHBA is very concerned about the impacts of the 13% HST on the volume of underground activity in the renovation sector. OHBA is seeking a joint federal and provincial solution to this issue through a permanent renovation tax rebate to encourage the use of legitimate contractors and limit government revenue leakage to the underground.

OHBA is pleased to have a positive working relationship with many government ministries and many elected officials. Our membership is, however, deeply concerned that the unintended consequences of some government policies will result in an escalation of housing prices, decreasing affordability and a lack of housing choice. OHBA notes it is in the best interests of the provincial government and the citizens of Ontario to have a strong new housing and renovation industry. The future of this province and the residential construction industry is intertwined and inseparable.



# APPENDIX



THE RESIDENTIAL CONSTRUCTION INDUSTRY IS  
**the engine that drives  
 Ontario's economy**



**50,370 Housing Starts** Housing starts in Ontario declined sharply in 2009 from 75,076 in 2008 due to the global recession that hit Ontario hard. However, activity picked up in the last quarter of 2009 as consumer confidence improved and the real estate market led the recovery. Each new home built in Ontario is not only a roof over the head of a family, but it provides thousands of jobs and generates significant dollars in taxes, fees and levies for all three levels of government.

**334,000 Jobs** The new housing and renovation sector is the largest industry in Ontario. Tens of thousands of high paying direct and indirect jobs are provided every year by the residential construction industry.

**\$34.4 billion** In 2009 the value of new housing, residential renovations and impacts of other expenditures related to residential construction in Ontario totalled \$34.4 billion.

**\$16.9 billion in Wages** The average weekly wage in Ontario's construction sector is \$980. This compares to a \$963 average in all industries. The average construction wage is 3% higher than the overall industry wage for full-time employment in Ontario.

**\$3.19 billion** Total income taxes for the federal and provincial governments generated from Ontario housing starts, renovations and other related expenditures.

**\$2.03 billion** Total GST revenue generated from Ontario housing starts, renovations and other related expenditures.

**\$1.42 billion** Total CPP Premiums generated from Ontario housing starts, renovations and other related expenditures.



**\$1.19 billion** Total PST revenue generated from Ontario housing starts, renovations and other related expenditures. A harmonized sales tax will significantly increase provincial sales taxes on new homes and renovations once implemented on July 1, 2010.

**\$590 million** Total EI Premiums generated from Ontario housing starts, renovations and other related expenditures.

**\$129 million** Estimated total WSIB premiums billed to the Home Builder rate group in Ontario.

29 LOCAL ASSOCIATIONS

- BILD
- Brantford
- Chatham-Kent
- Greater Dufferin
- Durham Region
- Grey-Bruce
- Guelph & District
- Haldimand-Norfolk
- Haliburton County
- Hamilton-Halton
- Kingston-Frontenac
- Lanark-Leeds
- London
- Niagara
- North Bay & District
- Greater Ottawa
- Peterborough & the Kawarthas
- Quinte
- Renfrew County
- Sarnia-Lambton
- Saugeen Country
- Seaway Valley
- Simcoe County
- St. Thomas-Elgin
- Stratford & Area
- Sudbury&District
- Thunder Bay
- Waterloo Region
- Greater Windsor

Ontario Home Builders' Association

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e-mail: info@ohba.ca  
 web: www.ohba.ca

2011–2031

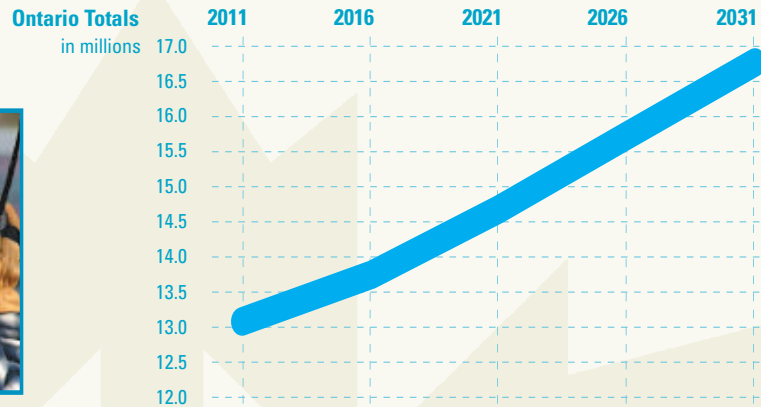
# Ontario's Population Estimates by OHBA Local



**Ontario**  
Home Builders'  
Association

OHBA represents  
4,000 member  
companies organized  
into a network  
of 29 local  
associations across  
the province.

**Together we build  
80% of the  
new housing in  
Ontario.**



OHBA Local	2011	2016	2021	2026	2031
Greater Barrie (Simcoe County)	461,507	493,694	555,929	630,687	709,855
BILD (Toronto, York, Peel)	5,066,195	5,331,937	5,632,970	5,901,512	6,169,108
Brantford (Brant County)	140,434	147,679	162,633	182,585	203,711
Chatham-Kent	111,841	111,831	111,683	110,984	110,211
Greater Dufferin	59,759	65,496	74,105	84,073	94,628
Durham Region	624,233	667,588	744,357	851,912	978,428
Grey-Bruce	165,103	168,094	172,424	176,805	181,405
Guelph (Wellington County)	216,878	231,108	262,498	309,237	361,908
Haldimand-Norfolk	112,692	114,535	117,190	119,823	122,583
Haliburton County	17,006	17,655	18,616	19,681	20,806
Hamilton-Halton	1,035,453	1,104,973	1,217,998	1,344,917	1,479,245
Kingston-Frontenac	152,326	155,925	161,189	166,742	172,589
Lanark-Leeds	170,650	173,264	177,017	180,687	184,530
London (Middlesex)	455,714	470,910	498,087	528,318	560,254
Niagara	448,951	461,758	484,197	514,411	546,334
North Bay & District (Nipissing District)	87,265	87,787	88,473	88,882	89,290
Greater Ottawa	883,661	913,940	978,941	1,069,021	1,164,327
Peterborough & The Kawarthas	218,182	229,288	252,355	281,608	312,577
Quinte (Hastings)	139,476	143,415	149,209	155,453	162,036
Renfrew County	103,135	105,074	107,885	110,749	113,757
Sarnia-Lambton	133,299	134,004	134,914	135,373	135,822
Saugeen County (South Bruce)	67,817	68,556	69,593	70,510	71,464
Seaway Valley (Stormont, Dundas & Glengarry United)	115,867	116,921	118,378	119,571	120,803
St. Thomas - Elgin	91,732	94,840	99,434	104,473	109,791
Stratford & Area (Perth)	77,726	78,231	78,903	79,339	79,780
Greater Sudbury	166,188	168,307	171,317	174,123	177,051
Thunder Bay	151,116	148,620	144,665	139,251	133,465
Waterloo Region	525,913	561,013	618,886	693,719	772,949
Greater Windsor (Essex)	411,630	423,586	446,386	471,616	498,260
<b>Sub-Total of OHBA Locals</b>	<b>12,411,749</b>	<b>12,990,028</b>	<b>13,850,232</b>	<b>14,816,063</b>	<b>15,836,968</b>
<b>Ontario Totals</b>	<b>13,221,487</b>	<b>13,809,227</b>	<b>14,682,788</b>	<b>15,660,730</b>	<b>16,694,249</b>

Note: Grey-Bruce includes the population for all of Bruce; South Bruce also includes the population of all of Bruce.

Source: Strategic Projections Inc.

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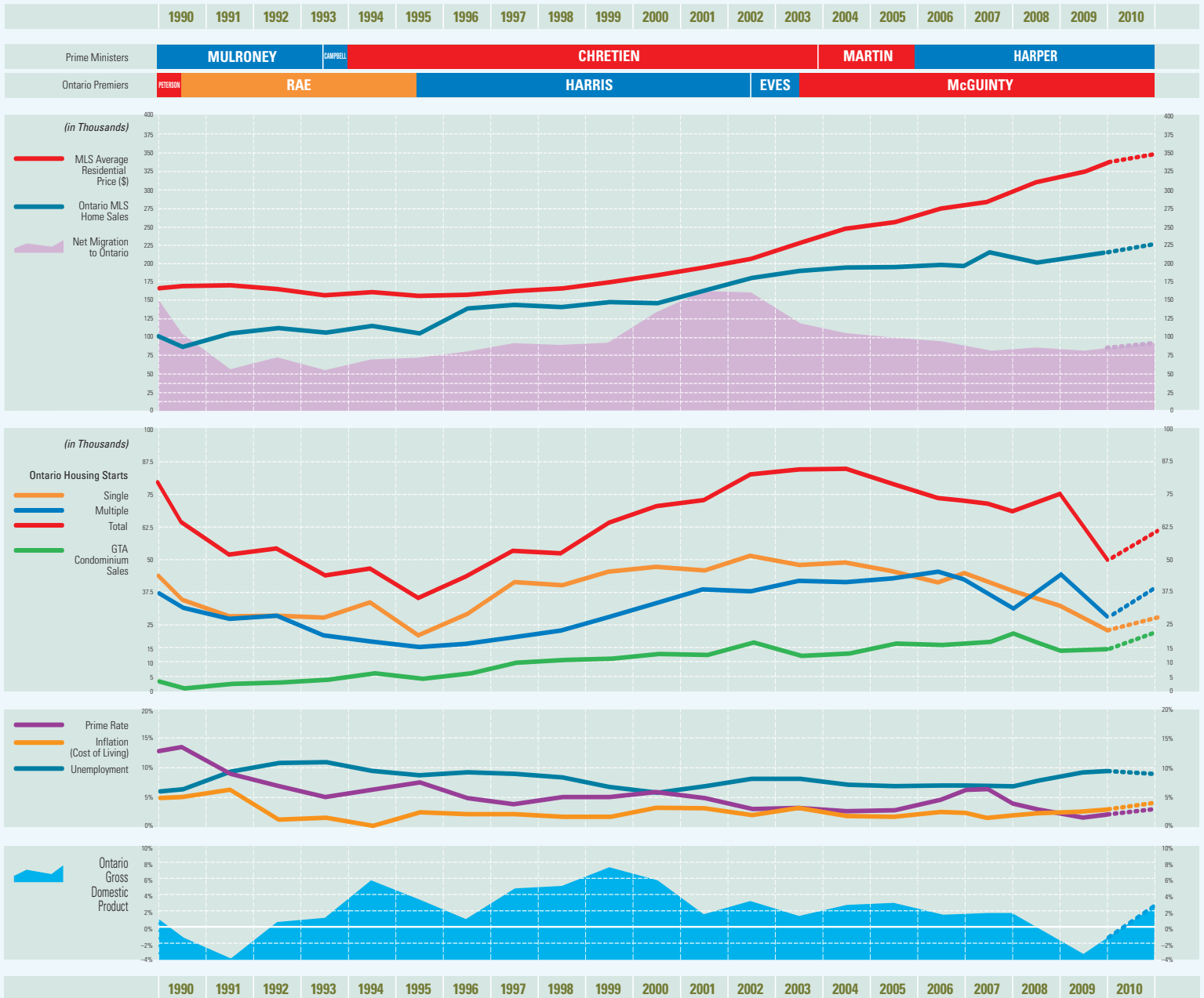
web: [www.ohba.ca](http://www.ohba.ca)

1990-2010

# Ontario Housing & Economic Indicators



**Ontario**  
Home Builders'  
Association



Source: Statistics Canada, CREA, CMHC, RealNet Canada, Bank of Canada, Ministry of Finance, RBC Royal Bank, Urbanation

**OHBA represents 4,000 member companies organized into a network of 29 local associations across the province. Together we build 80% of the new housing in Ontario.**

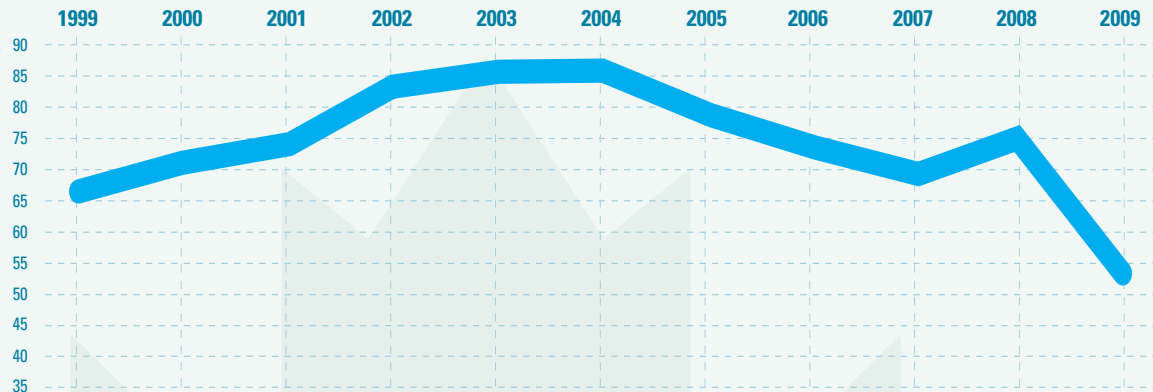
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# Total Housing Starts Ontario 1999-2009



All Ontario  
in thousands



## Census Metropolitan Areas

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Barrie	2,722	2,043	2,445	2,739	2,368	2,435	1,484	1,169	980	1,416	427
Brantford	377	485	475	700	458	482	534	409	589	432	317
Guelph	1,003	1,297	993	1,138	994	1,420	951	864	941	1,087	567
Hamilton	3,923	3,108	3,365	3,803	3,260	4,093	3,145	3,043	3,004	3,529	1,860
Kingston	656	659	707	810	1,131	872	683	968	880	672	717
Kitchener	2,821	3,509	3,537	4,130	3,995	3,912	3,763	2,599	2,740	2,634	2,298
London	1,773	1,713	1,607	2,604	3,027	3,078	3,067	3,674	3,141	2,385	2,168
Oshawa	2,463	2,874	2,561	3,490	3,907	3,153	2,934	2,995	2,389	1,987	980
Ottawa	4,447	5,786	6,251	7,796	6,381	7,243	4,982	5,875	6,506	6,998	5,814
Peterborough	383	292	294	423	547	514	619	437	540	428	371
St. Catharines	1,485	1,230	1,134	1,317	1,444	1,781	1,412	1,294	1,149	1,138	859
Sudbury	199	173	191	298	306	388	400	477	587	543	450
Thunder Bay	232	154	211	197	211	287	227	165	249	167	180
Toronto	34,904	38,982	41,017	43,805	45,475	42,115	41,596	37,080	33,293	42,212	25,949
Windsor	2,387	2,382	2,157	2,490	2,237	2,287	1,496	1,045	614	453	391

## Larger Census Agglomerations

Belleville	305	273	284	393	387	507	367	313	368	324	357
Chatham-Kent	119	136	96	90	150	143	197	217	177	136	85
Cornwall	144	122	148	198	231	217	159	132	135	133	156
Kawartha Lakes*	118	165	290	321	359	367	322	334	349	311	199
North Bay	147	90	89	123	125	151	226	185	112	139	199
Sarnia	218	177	155	374	203	194	243	191	258	278	299
Sault Ste Marie	90	90	74	86	99	119	128	105	117	173	85

## Urban areas

(Population 50,000+)	62,928	67,423	70,262	79,615	80,933	79,894	69,365	63,928	59,460	67,798	44,903
<b>All Ontario</b>	<b>67,235</b>	<b>71,521</b>	<b>73,282</b>	<b>83,597</b>	<b>85,180</b>	<b>85,114</b>	<b>78,795</b>	<b>73,417</b>	<b>68,123</b>	<b>75,076</b>	<b>50,370</b>

\* Prior to 2002, Kawartha Lakes data includes Lindsay Town, Ops Township, Fenelon Township, Laxton Township, Mariposa Township and Sturgeon Point Village

Source: CMHC

OHBA represents 4,000 member companies organized into a network of 29 local associations across the province.

**Together we build 80% of the new housing in Ontario.**

Ontario Home Builders'  
Association

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web: [www.ohba.ca](http://www.ohba.ca)



# Economic Forecast Survey 2011

The Ontario Home Builders' Association surveyed a sample of home builder and renovator members of the 4,000 member organization in November 2010. The economic survey conducted on an annual basis weighs the industry mood for the upcoming year on both economic and political issues. Due to rounding not all figures add to 100%. The charts below illustrate key economic and political indicators for 2011.

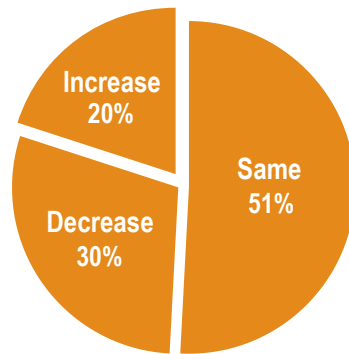


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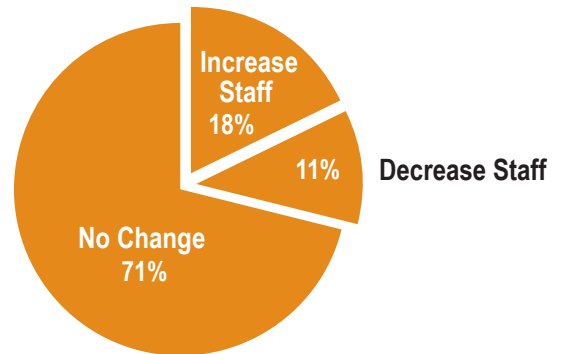
## What should Premier McGuinty's top priority be for the 2011 Budget?



## Compared to 2010 housing starts, do you expect starts in 2011 to?



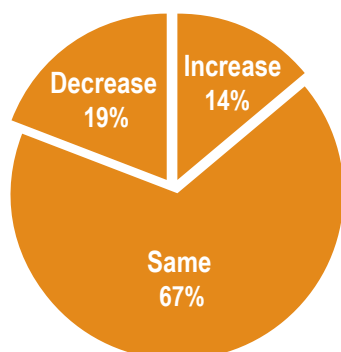
## With respect to employment in 2011, does your company plan to?



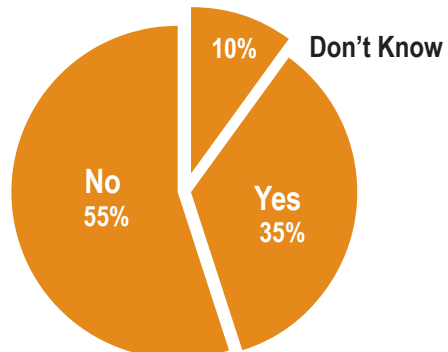
## In your opinion would a provincial renovation tax rebate (similar to the Federal Home Renovation Tax Credit) reduce underground activity?



## Compared to 2010 renovation activity, do you expect activity in 2011 to?



## Have suppliers and manufacturers passed on cost/tax savings to your business due to HST?



# Detailed Government Imposed Charges Breakdown on Median Priced New Single-Detached Dwellings (2009)



**Ontario**  
Home Builders'  
Association

Municipality	Median Price	MUNICIPAL CHARGES						PROVINCIAL					FEDERAL	Total GICS	% of Price
		DCs	Land Dedication	Process Fees	Building Permit	LTT	Total	PST	Registry Transfer	Warranty	Other	Total	GST		
Surrey	\$567 K	\$40.7K	\$12,444	\$240	\$3,514	-	\$56.7 K	\$12.3K	\$9,418	\$1000	\$25	\$22.7K	\$28.4K	\$108,050	19.05%
Vaughan	\$523 K	\$35.5K	\$10,500	\$1,815	\$2,536	-	\$50.4 K	\$12.0K	\$8,865	\$1,130	\$185	\$22.2K	\$26.1K	\$98,713	18.86%
Ottawa	\$362 K	\$26.8K	\$4,413	\$2,204	\$2,813	-	\$36.2 K	\$10.8K	\$3,987	\$881	\$185	\$15.9K	\$28.5K	\$64,702	17.85%
Hamilton	\$335 K	\$22.9K	\$5,000	\$598	\$2,464	-	\$30.9 K	\$10.9K	\$3,572	\$802	\$185	\$15.5K	\$10.7K	\$57,168	17.06%
Toronto	\$843 K	\$15.4K	\$24,545	\$970	\$4,820	\$20K	\$65.7 K	\$11.5K	\$20,046	\$1,469	\$185	\$33.2K	\$42.1K	\$141,120	16.75%
Waterloo	\$376 K	\$25.4K	\$4,800	\$1,220	\$1,760	-	\$33.2 K	\$10.2K	\$4,189	\$881	\$185	\$15.5K	\$14.1K	\$62,791	16.70%
Halifax	\$278 K	\$2,023	\$5,750	\$31	\$1,681	\$4.1K	\$13.6 K	\$22.2K	\$84	\$373	\$60	\$22.7K	\$ 8.9K	\$45,256	16.30%
Quebec City	\$226 K	-	\$6,750	\$50	\$300	-	\$ 7.1 K	\$17.5K	\$2,145	\$960	\$133	\$20.7K	\$ 7.2K	\$35,008	15.52%
Windsor	\$231 K	\$12.3K	\$2,475	\$318	\$1,795	-	\$16.9 K	\$ 7.5K	\$2,114	\$644	\$185	\$10.4K	\$ 7.4K	\$34,741	15.01%
Montreal	\$340 K	-	\$5,200	\$283	\$1,629	-	\$ 7.1 K	\$26.3K	\$3,738	\$1000	\$133	\$31.2K	\$10.9K	\$49,161	14.47%
Saskatoon	\$379 K	\$26.3K	\$1,364	\$193	\$1,160	-	\$29.0 K	\$ 6.1K	\$1,137	\$875	-	\$ 8.1K	\$14.5K	\$51,602	13.61%
Burnaby	\$775 K	\$4,530	\$6,521	\$47	\$7,105	-	\$18.2 K	\$23.1K	\$13,583	\$1000	\$25	\$37.7K	\$38.7K	\$94,685	12.21%
Charlottetown	\$179 K	-	\$4,500	\$25	\$300	-	\$ 4.8	\$8.0 K	\$2,166	\$347	\$283	\$10.8K	\$ 5.7K	\$21,385	11.94%
Vancouver	\$1,288K	\$17.9K	-	\$2,365	\$5,569	-	\$25.8 K	\$36.5K	\$23,836	\$1000	\$27	\$61.3K	\$64.4K	\$151,559	11.77%
Sudbury	\$319 K	\$3,371	\$3,750	\$244	\$2,256	-	\$ 9.6 K	\$ 8.4K	\$3,330	\$802	\$185	\$12.7K	\$10.2K	\$32,535	10.21%
Prince George	\$364 K	\$4,724	\$920	\$198	\$2,001	-	\$ 7.8 K	\$10.1K	\$5,363	\$1000	\$25	\$16.5K	\$12.8K	\$37,145	10.19%
Winnipeg	\$312 K	\$3,400	\$861	\$240	\$1,750	-	\$ 6.3 K	\$ 7.6K	\$3,969	\$875	-	\$12.4K	\$10.0K	\$28,654	9.17%
Edmonton	\$451 K	\$13.2K	\$1,023	\$718	\$2,721	-	\$17.7 K	-	\$125	\$875	\$13	\$ 1.0K	\$22.6K	\$41,289	9.15%
Calgary	\$437 K	\$11.4K	\$1,591	\$1,429	\$1,811	-	\$16.2 K	-	\$122	\$875	-	\$ 1.0K	\$21.0K	\$38,221	8.75%
Yellowknife	\$404 K	\$135	-	\$175	\$2,609	-	\$ 2.9 K	-	\$606	-	-	\$ 0.6	\$ 9.9K	\$20,795	5.15%
Whitehorse	\$311 K	\$2,500	\$555	\$100	\$1,558	-	\$ 4.7 K	-	\$101	-	-	\$ 0.1	\$17.3K	\$14,760	4.75%

Source: Government-Imposed Charges on New Housing in Canada, CMHC (2010)



**Ontario  
Home Builders'  
Association**

## **2011 BUDGET SUBMISSION APPENDIX D**

### **Consumers Back Reno Tax Rebates To Combat A Growing Underground Economy**

November 9, 2010 – Toronto, ON – A recent poll by Environics Research found that a significant majority of Ontarians have paid cash for a renovation job and that a government tax credit or rebate would provide an incentive for consumers to pay for legitimate contractors. In the survey commissioned by the Ontario Home Builders' Association, 56 per cent of Ontarians admitted they have paid cash and avoided taxes for a renovation or repair job. With the recent introduction of the HST, renovators now have to charge 13% on all their work, whereas previously it was the 5% GST - these additional taxes have only served to fuel the underground economy.

OHBA President Bob Finnigan noted, "The Ontario Home Builders' Association along with the Canadian Home Builders' Association have urged the federal and provincial governments to take action on the growing underground economy. The results of this survey demonstrate the scope of the problem and the need for an effective solution."

More than two-thirds surveyed said that they would be less likely to pay cash if they were to receive a provincial or federal tax credit back from the government. OHBA Renovators' Council Chair and Ottawa-area renovator, Mike Martin noted "I am not surprised at all by the findings. This only confirms what I am hearing within my own company and colleagues in the field." Added Martin, "a provincial or federal rebate, similar to the now cancelled Home Renovation Tax Credit would be a great deterrent to cash jobs."

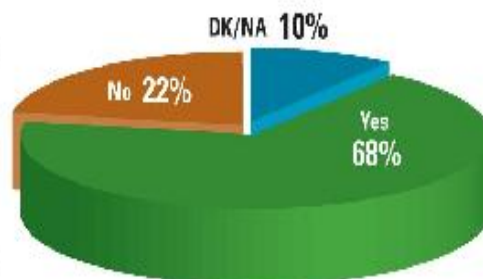
President Finnigan also noted that, "If a rebate system was in place it would encourage consumers to ask renovators for receipts, creating a paper trail for Canada Revenue Agency to monitor." Added Finnigan, "A rebate program is a responsible, targeted policy that will shed light on the underground economy. "

The residential renovation sector accounts for over \$20.3 billion in investment activity in Ontario, supporting about 195,000 jobs. Contractor renovations make up about 69% or \$14 billion of that total. In Ontario it is estimated that over \$2.6 billion in potential tax revenue is lost due to cash payments for underground renovations.

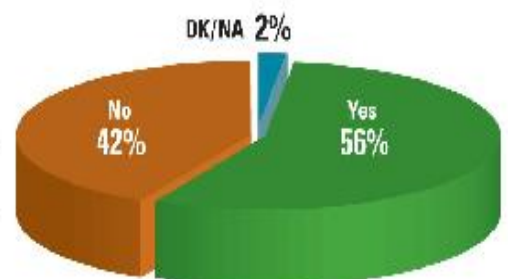
OHBA also notes that the consequences of paying cash under-the-table for this kind of work can have dire results for homeowners. Consumers often do not have legal recourse and could be subject to significant liability if an accident happens within the home. Illegal renovations introduce health and safety risks to construction workers and the homeowners that hire them.

The survey, conducted by Environics Research, polled 1113 home owners throughout the province. The margin of error is +/- 2.9%, 19 times out of 20.

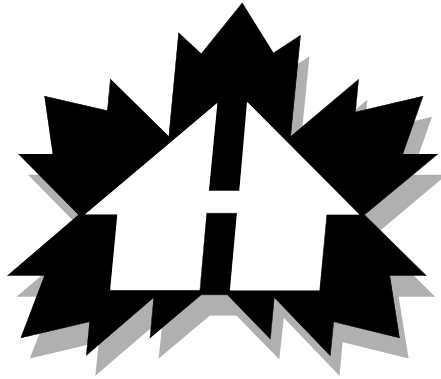
*If you were able to receive a provincial or federal tax credit or tax rebate back from the government for renovations, similar to the previous federal renovation tax credit, would you be less likely to pay cash and more likely to pay the tax?*



*Have you ever paid cash for a home repair or renovation job?*







***Ontario*** Home Builders' Association

Pre-Budget Submission  
Appendix E

Select External Resolutions  
2010 – 2011



## RESOLUTION # 1 (External)



Submitted to: Prime Minister of Canada  
Premier of Ontario  
Federal Leaders of LPC, NDP and BQ  
Provincial Leaders of P.C. & NDP  
Federal Ministry of Finance  
Ontario Ministry of Finance  
Ontario Ministry of Revenue  
Canadian Home Builders' Association

Submitted by: OHBA Executive Committee

Date: September 20, 2010

Subject: Harmonized Sales Tax – Updating New Housing Threshold

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*Whereas:* OHBA is supportive of the provincial government's enhancements (in June 2009) to the HST tax structure as it applies to new housing to eliminate the regressive dual threshold tax structure and replace it with a single \$400,000 progressive threshold (housing is subject to a 2% sales tax up to a \$400,000 threshold and 8% on the incremental value of the home above \$400,000) with a tax rebate of up to \$24,000 on all new homes valued over \$400,000; and

*Whereas:* in 1991 the federal government promised to index the GST rebate thresholds. It never happened and 19 years later housing affordability is suffering in Ontario and across the country; and

*Whereas:* should the Ontario government not regularly update the HST rebate threshold, Ontario consumers and tax payers will suffer similar eroding affordability conditions as new home prices inevitably rise over the long-term; and

*Whereas:* currently a new home under \$350,000 receives a GST rebate of 36%. The rebate is reduced up to a \$450,000 threshold above which consumers pay the full 5% GST. This is a regressive tax structure that is harmful to housing affordability for new home buyers, renters and seniors and does not represent good public policy; and

*Whereas:* British Columbia harmonized the 7% B.C. provincial sales tax with the 5% GST on July 1, 2010 with a progressive sales tax structure similar to Ontario, but with a higher threshold of \$525,000 applied to new housing; and

*Whereas:* the federal government has approved the progressive provincial tax structure as it applies to housing in principal; and

*Whereas:* Should Ontario match the B.C. threshold of \$525,000; that would set the stage for the federal government to introduce a progressive single threshold tax structure for the GST with a common 'harmonized' threshold across the country. This would drastically improve affordability and reduce sales tax complexity for new housing;

*Therefore be it resolved that:* the federal government harmonize the GST new housing rebate with the provincial progressive harmonized sales tax structure; and

*Therefore be it further resolved that:* the Ontario government update the \$400,000 progressive HST threshold on a regular basis to maintain and improve housing affordability with the ultimate goal of matching the B.C. threshold of \$525,000.

MOVED: E. DenOuden

SECONDED: A. Pol

CARRIED

## RESOLUTION # 2 (External)



Submitted to: Premier of Ontario  
Leaders of P.C. Party and NDP  
Minister of Municipal Affairs and Housing

Submitted by: OHBA Technical Committee

Date: September 20, 2010

Subject: Ontario Build Code Objectives – Housing Affordability

---

*Whereas:* until the past couple of years, Ontario has enjoyed over 10 years of economic prosperity resulting in a strong and vibrant housing market; and

*Whereas:* a strong housing market is better positioned to absorb variations in regulations, policy directives and Building Code changes; and

*Whereas:* the Provincial Government and many special interest groups regard the Building Code as the vehicle to implement social policies such as resource conservation, fire suppression, and barrier free accessibility; and

*Whereas:* these social policies are underwritten by the Objective statements in the Building Code; and

*Whereas:* at the same time as government and special interest groups continue to increase levels of resource conservation, fire suppression and accessibility provisions within the Building Code, they are also engaged in developing housing affordability strategies in an attempt to accommodate and house lower-income Ontarians; and

*Whereas:* housing affordability strategies and Building Code social policy objectives often have conflicting economic consequences resulting in excessive financial burden and social responsibility being placed unnecessarily on new home purchasers; and

*Whereas:* the 5 million houses in the existing housing stock in Ontario are a significantly larger problem in terms of addressing provincial policy and social policy objectives of greater resource conservation, increased fire safety, and improved accessibility, yet the Building Code has no jurisdiction over the existing housing stock; and

*Whereas:* the cumulative economic impact of Building Code changes reflecting multiple provincial policy and social policy objectives, coupled with price increases in labour, materials, land, municipal development charges, taxes, fees and levies has resulted in tens of thousands of dollars of increased costs, significantly raising the cost of housing as well as artificially elevating the entire housing market for both new and resale homes;

*Therefore be it resolved that:* the Ontario Building Code be amended in this current change cycle to include *AFFORDABILITY* as an over-arching Objective statement and that all currently considered and future Building Code change proposals be evaluated on a cost-to-benefit basis and evaluated as an entire package as to their effect on the consumer and the building industry and in particular, the state of the housing market at the time of the Code change cycle in which they are being proposed.

MOVED: M. Pryce

SECONDED: D. Brouwer

CARRIED



## RESOLUTION # 3 (External)



Submitted to: Ministry of Municipal Affairs and Housing

Submitted by: OHBA Land Development Committee

Date: September 20, 2010

Subject: Provincial Policy Statement Review

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*Whereas:* The Provincial Policy Statement (PPS) implements Section 3 of the Planning Act, as amended by defining and providing policy direction on matters of provincial interest related to land-use planning and development ; and

*Whereas:* The PPS provides for appropriate development while protecting the resources of provincial interest, public health and safety and the quality of the natural environment. The PPS supports improved land-use management which contributes to a more effective and efficient land-use planning system; and

*Whereas:* the planning process has become increasingly complex with numerous pieces of legislation and regulation interfacing with the land-use approvals process; and

*Whereas:* An overly heavily regulated planning framework drives land prices upwards and creates uncertainty which has negative impacts on housing affordability; and

*Whereas:* OHBA believes that the PPS has potentially become too detailed and too prescriptive and leaves little room for flexibility and creativity; and

*Whereas:* at a broader level, OHBA is concerned that multi-jurisdictional planning frameworks have been in a near constant state of review for a number of years. There is a lack of certainty and clarity in the planning framework – the only constant is change; and

*Whereas:* OHBA strongly believes that Ontario is diverse rather than being homogenous and local communities have very different urban, suburban and rural contexts.

*Therefore be it resolved that:* the PPS should be less prescriptive and should provide strategic direction to protect provincial interests with flexibility for municipalities to implement the broader goals of the PPS while respecting local interests and urban/rural context through the implementation of local Official Plans; and

*Therefore be it further resolved that:* OHBA believes the PPS should be a strategic document to protect provincial interests and set broad planning parameters, goals and objectives. The PPS should provide flexibility in the local implementation of the policies with respect to urban conditions and contexts, especially in jurisdictions outside the growth plan area.

MOVED: K. Fergin

SECONDED: C. Curtis

CARRIED

## RESOLUTION # 4 (External)



Submitted to: Ministry of Municipal Affairs and Housing  
Ministry of Infrastructure  
Ministry of Finance

Submitted by: OHBA Land Development Committee

Date: September 20, 2010

Subject: 10 Year Infrastructure Capital Plan

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*Whereas:* The Minister of Infrastructure is in the process of developing a 10-year capital plan to support and plan infrastructure investments across Ontario over the next decade; and

*Whereas:* The ten-year capital plan is of key importance to the residential construction industry. Investments made by the public sector facilitate additional private sector investment and job creation from OHBA members; and

*Whereas:* The most important infrastructure for both the future economic well-being and the quality of life of Ontarians is “basic urban infrastructure”, also called “core infrastructure”. It includes: roads and bridges; public transit; water supply and sewerage collection and treatment systems; and

*Whereas:* A gap in core infrastructure funding across Canada arose during the 1980s, and has resulted in deterioration of a significant proportion of the facilities that people rely on daily. Throughout the 1990s, public investment did not keep up with the demands of a growing population; and

*Whereas:* In targeting infrastructure investments the province should be supportive of other public policy goals and objectives such as intensification, energy efficiency, accessibility and the efficient movement of goods and people. Infrastructure investments should complement and support the Growth Plan for the Greater Golden Horseshoe as well as the Northern Growth Plan and Metrolinx Regional Transportation Plan;

*Therefore be it resolved that:* To ensure adequate levels of infrastructure investment while increasing housing affordability and choice the provincial government should focus infrastructure investments on “core” infrastructure priorities that support intensification, enhanced productivity, the efficient movement of goods and people as well as housing affordability and choice; and

*Therefore be it further resolved that:* “Core” infrastructure funding focus on: water and waste-water facilities, the provincial highway network, bridges and regional roads, higher-order public transit outside the GTA and within the GTA the priorities of the Metrolinx Regional Transportation Plan; and

*Therefore be it further resolved that:* Following the economic stimulus funding of the past two budget cycles, the provincial government must continue a regular, predictable and sustainable level of infrastructure funding over the next decade. A ‘long-term’ commitment for infrastructure funding must be predictable and stable for all public sector partners and private sector stakeholders.

MOVED: J. Kochan

SECONDED: H. Hansen

CARRIED

## RESOLUTION # 5 (External)



Submitted to: Ministry of Municipal Affairs and Housing  
Association of Municipalities of Ontario  
Premier of Ontario  
Canadian Home Builders' Association

Submitted by: OHBA Land Development Committee

Date: September 20, 2010

Subject: Secondary Suites

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*Whereas:* The Provincial Government has committed to a poverty reduction strategy and a *Long-Term Affordable Housing Strategy*; and

*Whereas:* To be effective, a long-term affordable housing strategy must focus its scarce resources on the primary sources of housing affordability problems: the inadequate incomes of many core need households; government barriers to housing; and the unfavourable tax treatment of low-income renters; and

*Whereas:* Secondary suites are an important supply of rental housing in many cities, towns and rural communities across Ontario; and

*Whereas:* Rents in secondary suites are often lower than in apartments in conventional rental buildings and the suites can be developed with no or minimal government assistance. Secondary suites enable low and moderate-income households to live in ground-related housing in a residential setting; and

*Whereas:* Not only are secondary suites a source of affordable rental housing, they can also provide the needed extra income and security for first time homebuyers or for older households that no longer need a large house; and

*Whereas:* OHBA is concerned that primarily due to NIMBY pressures from ratepayers and intolerance towards the elderly, students, young renters and working-poor, that many municipalities have made secondary suites illegal. It is the opinion of OHBA that this constitutes 'zoning-for-people' rather than 'zoning-for-use' and is a restrictive and discriminatory practice that limits housing affordability and choice for a significant proportion of Ontarians; and

*Whereas:* Secondary suites offer a valuable avenue for the province to reach intensification goals while increasing the stock of affordable and rental housing; and

*Whereas:* Secondary suites also present an opportunity to reduce the strain on the health care system where the elderly can age-in-place with care from their families and loved-ones rather than relying on public facilities; and

*Whereas:* We believe that this is an equitable way of creating a new supply of affordable housing, while also eliminating illegal accessory apartments that may be hidden and unsafe. Furthermore this is a broad based solution that will create more equity and choice for renter households by providing access to communities in which they were previously excluded from by discriminatory municipal by-laws.

*Therefore be it resolved that:* the province require municipalities to permit 'as-of-right' secondary suites across Ontario as part of a *Long-Term Affordable Housing Strategy*.

MOVED: S. Harris

SECONDED: D. Depencier

CARRIED

## RESOLUTION # 6 (External)



Submitted to: Ministry of Revenue  
Ministry of Municipal Affairs and Housing  
Federal Ministry of Finance  
Ministry of Labour  
Workplace Safety and Insurance Board  
Canadian Home Builders' Association  
Canada Revenue Agency

Submitted by: OHBA Renovators Council

Date: September 20, 2010

Subject: Renovations and the Underground Economy

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*Whereas:* The residential renovation sector accounts for approximately \$53 billion in investment activity across Canada and \$20 billion to the Ontario economy on an annual basis; and

*Whereas:* The renovation industry suffers from a large and growing underground economy. The Altus Group estimates prior to HST implementation that 37% of the total output of residential renovation contracts are done so underground (escaping taxation and safety regulations); and

*Whereas:* The current value-added tax regime discourages consumers from seeking the services of professional contractors operating above-board. Illegal underground (cash economy) behaviour is pervasive as consumers attempt to avoid paying the current 5% GST (value-added tax); and

*Whereas:* The Ontario government has introduced a harmonized sales tax, which will represent an additional eight percent in costs for the consumer (B.C. has also proposed a harmonized sales tax representing an additional seven percent in cost for the consumer), in addition to the 5% GST. The cumulative impact is a 13% value-added tax in Ontario (12% in B.C.); and

*Whereas:* The Altus Group report commissioned by the CHBA, "The Potential Impacts of Sales Tax Harmonization on the Residential Renovation Sector in Canada" estimates that renovators currently pay an embedded 2.6% PST on an average renovation contract in Ontario (2.3% in B.C.); and

*Whereas:* The cash economy places risks on consumers, causes significant revenue leakages for the provincial and federal governments and places legitimate contractors at a competitive disadvantage;

*Therefore be it resolved that:* To ensure a level playing field, and to ensure that renovators can still maintain a livelihood in the province, the federal government and provincial governments should implement a home renovation tax rebate to the consumer valued at 2.6 percent at the federal level and 5.4 percent on each project in order to ensure the tax is revenue neutral as well as provide an incentive for consumers to demand receipts from legitimate renovators and submit them to the CRA; and

*Therefore be it further resolved that:* all firms and individuals in the construction industry should be required to register for a Business Number, even if they wish to take advantage of the HST exemption for companies which operate below the \$30,000 annual sales threshold; and

*Therefore be it further resolved that:* The Ontario government embark on an advertising campaign targeted towards consumers that explains the risks associated with paying cash under-the-table to illegitimate contractors.

*Therefore be it further resolved that:* Government departments such as the Canada Revenue Agency, local building departments, the Workplace Safety and Insurance Board, and the Ministry of Labour better coordinate and share information to catch illegal renovators that are operating in the underground.

MOVED: D. Depencier

SECONDED: B. Bolduc

CARRIED

**LOCAL ASSOCIATIONS**

**BILD  
BRANTFORD  
CHATHAM-KENT  
GREATER DUFFERIN  
DURHAM REGION  
GREY-BRUCE  
GUELPH & DISTRICT  
HALDIMAND-NORFOLK  
HALIBURTON COUNTY  
HAMILTON-HALTON  
KINGSTON-FRONTENAC  
LANARK & LEEDS  
LONDON  
NIAGARA  
NORTH BAY & DISTRICT  
GREATER OTTAWA  
PETERBOROUGH & THE KAWARTHAS  
QUINTE  
RENFREW COUNTY  
SARNIA-LAMBTON  
SAUGEEN  
SEAWAY VALLEY  
SIMCOE COUNTY  
ST. THOMAS-ELGIN  
STRATFORD & AREA  
SUDBURY & DISTRICT  
THUNDER BAY  
WATERLOO REGION  
GREATER WINDSOR**



**Ontario**  
Home Builders'  
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