

January 2018

SUBMISSION TO

The Minister of Finance



Ontario
Home Builders'
Association

29 LOCAL ASSOCIATIONS

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the Kawarthas

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Stratford & Area

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Pre-Budget Consultation Submission

*The Residential Construction Industry is the
Engine that Drives Ontario's Economy*



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EXECUTIVE SUMMARY

The Ontario Home Builders' Association (OHBA) is pleased to have the opportunity to present recommendations for the upcoming 2018 provincial budget. In order to balance the budget, the provincial treasury has become heavily reliant on the significant taxation revenue generated from the success of Ontario's housing market. In fact, rapid housing price escalation and high sales volumes over recent years have brought in billions of dollars in unforeseen additional HST and Land Transfer Tax revenues to the provincial government, in addition to spin-off revenues generated from the actual construction of new homes and the over 336,000-plus jobs supported by Ontario's housing sector.

This final budget of the government's current mandate provides an opportunity to support growth, combat underground economic activity and invest in core infrastructure. This budget also provides a critical opportunity to take additional steps to improve market housing affordability and address housing supply constraints. The home building, land development and professional renovation industries are key partners for the government to work with and provide the necessary housing supply to meet Ontario's growing population, support job creation and stimulate economic growth.

Our industry faces a variety of inter-related challenges that affect our members' ability to build the necessary supply of new housing to meet growing demand. Ninety-five per cent of Ontario's new housing supply is built by the private sector, and new home prices reflect the market conditions set by government policy through municipal approvals, provincial legislation and regulatory frameworks, the federal rules on mortgage qualifications. Government sets the rules on where, what type and when housing supply comes into the market and the market prices homes accordingly.

In an environment where housing of all types and tenures is becoming more expensive, OHBA believes that the government should much more carefully consider the impacts of planning, fiscal and labour policy decisions on housing supply and price. The government has many levers it can push and pull that influence housing supply. Over the past several years OHBA has warned that prices would escalate as a result of specific policy directions and that is exactly what has happened.



In order to deliver supply, there are very real and serious challenges in many communities across Ontario. There are public policy barriers including NIMBY attitudes that are stretching out approvals processes for both housing and critical infrastructure that support housing. This is not an issue limited to low-rise housing supply, but also mid-rise and high-rise intensification and infill housing supply. Despite a cooling resale market, partially because of measures in Ontario's Fair Housing Plan, new home inventory remains near record lows and condo prices in the GTA are up over 40 per cent year over year. Despite efforts to cool more speculative aspects of the market, demographic demand continues to exceed the ability for our industry to deliver much-needed housing to meet Ontario's growing population.

New housing inventories in the GTA remain low. These supply issues that have historically been GTA-focused now spill over into many of the surrounding regions throughout the Greater Golden Horseshoe and beyond. Housing prices are influenced by a number of factors: government policy and the taxation framework are major forces shaping the marketplace.

OHBA has a number of recommendations in our pre-budget submission to address housing prices, climate change and the underground economy. OHBA supports a review of the HST rebate threshold for new homes; and we support the recently announced Green Ontario Fund (GreenON) rebate program for energy efficient upgrades to existing housing. OHBA continues to recommend additional measures to address the underground economy though the introduction of an Energy Efficient Home Renovation Tax Credit.

Lastly, OHBA appreciates that the government listened and addressed our primary recommendation in our 2017 budget submission by initiating a Housing Panel demanding data, information and evidence to better understand the housing supply challenges and why housing prices are escalating. As part of the Fair Housing Plan, the province introduced a Development Approvals Roundtable, chaired by the Secretary of Cabinet with municipalities and the development industry. OHBA is supportive of the Development Approvals Roundtable Action Plan and looks forward to its implementation.

Clearly, in the current market environment, new home prices and rents will continue to be under incredible pressure and bringing new communities on line will remain a challenge. The housing system faces a variety of complicated and inter-related challenges that will continue to affect Ontarians' quality of life, economic prosperity and housing opportunities.

1. INTRODUCTION

1.1 About OHBA

OHBA is the voice of the land development, new housing and professional renovation industries in Ontario. OHBA represents over 4,000 member companies, organized through a network of 29 local associations across the province. Our membership is made up of all disciplines involved in land development and residential construction, including: builders, developers, professional renovators, trade contractors, manufacturers, consultants and suppliers. The residential construction industry employed over 336,000 people and contributed over \$56.2 billion to the province's economy in 2016.

OHBA is committed to improving new housing affordability and choice for Ontario's new home purchasers and renovation consumers by positively impacting provincial legislation, regulation and policy that affect the industry. 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.



2. KEY ISSUES AND RECOMMENDATIONS

2.1 Housing Supply

Despite measures taken by the federal government and provincially through Ontario's Fair Housing Plan, OHBA remains concerned that the limited new housing supply had a significant impact on housing prices last year and will continue to do so in the future. It is critical to understand that the new housing and existing resale housing markets are very different. In terms of both demand and supply, the resale market is much more responsive to policy changes or to consumer psychology. While the new housing market is certainly influenced by those same issues, new supply can take years. On the low-rise side, it takes literally over a decade to work its way through the planning approvals process. Public policy decisions have major implications on how well the new housing supply chain functions and it is becoming more difficult to bring new housing supply to the market.

"The rising price of housing is top of mind for Ontarians. After complaining about the weather, people complain about the price or rent of housing. New housing prices are complicated, but our industry can only bring forward new housing supply where, what and when we earn approvals through a very complex process."

OHBA CEO Joe Vaccaro

Standing Committee on Finance and Economic Affairs – Dec 1, 2016

Last year, OHBA shared our concerns with the government regarding real challenges to the delivery of housing supply, which was not keeping up with the real demand and resulting in increasing home prices. OHBA also outlined concerns with respect to the cumulative tax and regulatory burden on new housing, which was also contributing to the ever-increasing cost of housing. Over the year 2017, the government moved a number of important pieces of legislation, along with launching the Fair Housing Plan, which actions include, but are not limited to:

- Addressing perceived excess housing demand by introducing a foreign buyers tax;

- Introducing rent controls;
- Finalizing the growth plan with higher density and intensification targets;
- Making significant changes to the Construction Lien Act;
- Introducing legislation that would split the warranty and regulatory roles of the Tarion Warranty Corporation;
- Replacing the OMB with a Local Planning Appeals Tribunal, which will limit appeal rights and make local planning decisions more political;
- Passing legislation and introduced proposed regulations to give municipalities the ability to introduce inclusionary zoning bylaws;
- Putting forward a large study area to potentially expand the greenbelt in high growth and high-demand communities; and
- Introducing a new regulatory regime for handling of excess soils that will impact brownfield redevelopment opportunities.

This activist government approach has been busy adding new layers of legislation and regulation on the new housing industry. This is against a backdrop of continued new home price escalation as demand outstrips supply.

“While 2017 may have been overwhelming from a policy standpoint, in the year to come it will be up to the industry and municipalities to absorb and implement and ultimately deliver the housing supply Ontario needs. The bottom line, from OHBA’s perspective, is that it’s getting harder and more complicated to bring new housing supply—ownership, rental, high-rise, low-rise or the missing middle—to growing communities and people who need it.”

OHBA CEO Joe Vaccaro

Standing Committee on Finance and Economic Affairs – Dec 14, 2017

CMHC’s November 2017 average absorbed new single detached home price for Ontario was \$833,162. In November 2016, it was \$701,684 and ten years ago, it was just over \$420,000. In Ontario’s hottest market, the GTA, the benchmark price for available new single-family homes was \$1,223,610, in November 2017 which was 25.1 per cent above November 2016’s benchmark price of \$977,890. Meanwhile the benchmark price for available new condo apartments was \$702,992 in November, 42.6 per cent above the November

2016 benchmark price of \$493,137. This comes amidst a backdrop of declining new single-detached housing sales and rising condo sales numbers. This should not be interpreted as a sign of diminished demand for single-family housing in the GTA. In fact, it is quite the opposite as demand remains elevated, but many people cannot afford them, and our industry is required to implement provincially mandated intensification policies which contribute to supply issues. Furthermore, the sheer cost of single detached and low-rise housing in the GTA is contributing to a spill-over effect in surrounding communities where GTA buyers are flocking to new home sales centres in Niagara, Guelph, Woodstock, Collingwood and Belleville. Market distortions are contributing to diminishing supply and rising home prices in these communities, threatening to displace local residents who may soon no longer be able to afford housing in their own communities.

If we go back to June 2006, prior to the implementation of the Growth Plan, the average low-rise price in the GTHA was less than half of what it is today (\$393,000), meaning new home prices have more than doubled in the past decade in this region. In terms of housing supply, in 2006, there were 16,500 new low-rise homes available for residents to purchase in the GTA. At the end of November 2017, there were only 11,788 total new homes (both low-rise and high-rise) available to purchase. A healthy new home market should have nine to 12 months' worth of inventory. Currently, inventory is at about three to four months. These statistics are a cause for concern.

"We are calling for more action on the supply side. In places like British Columbia and Ontario it's actually more important to have a more aggressive supply response."

Evan Sidall, President – Canada Mortgage and Housing Corporation, Nov 30, 2016

Housing prices are extremely complicated and affected by a wide variety of factors ranging from housing supply, fiscal policy, employment, infrastructure servicing capacity, land-use planning approvals and local employment. Some of these factors are directly affected by municipal or local government policy. However, OHBA strongly believes that a number of provincial planning policies, regulatory processes, tax policies and infrastructure priorities are having an adverse impact on housing supply and housing prices.

2.2 New Neighbours Taxes – Government-Imposed Charges (GICs)

The provincial government's treasury has greatly benefited from the hot housing market across the province as rising prices and high sales volumes have brought in billions of dollars in additional HST and Land Transfer Tax revenues. The 2017 Budget document itself even notes that the improvement of government revenue compared to projections in the 2016 Budget was primarily due to the strength of Ontario's housing market. Overall, HST revenue including unexpected taxes from the HST on new homes, was \$714 million higher than projected. The strength of the 2017 housing market, along with new revenue from the Foreign Buyers Tax will deliver even higher housing revenue to the provincial treasury. The 2017 Fall Fiscal Update projects \$2.87 billion in Land Transfer Tax revenue in 2017-18, which is over \$1 billion higher than what was collected just three years ago. OHBA believes that the Ontario government has an opportunity to support housing affordability and supply by reinvesting some of these tax dollars back into Ontario's housing market.

“Last year, the Ontario government collected more through the Land Transfer Tax (LTT) than the Gasoline tax. The LTT alone provided \$637 million in additional taxes to Ontario's bottom line. The billions of new unexpected housing taxes from Ontario's home buyers helped deliver a balanced budget and are projected to increase and help balance future budgets. The province is clearly benefiting from this hot housing market.”

OHBA CEO Joe Vaccaro – Media Release, April 27, 2017

Home builders and land developers 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 of growth while also contributing significantly towards upstream capital costs related to growth. Additionally, the home building and land development industry supports the economy through both direct and indirect jobs and the additional tax revenue generated for all three levels of government.

Our members are concerned that many municipal politicians continue to view new neighbours (new home buyers and new employers) as an easy target for additional taxes, levies and fees while artificially suppressing property taxes to appease existing municipal voters. OHBA continues to advocate for fairness and transparency for new neighbours, and is concerned that charges and fees derived from housing developments in many municipalities have escalated beyond a reasonable direct cost recovery level. OHBA understands that many municipalities are fiscally challenged, however, it is not the responsibility of new neighbours to substitute the general tax base revenue that should fund the maintenance and improvement of existing services.

“What many people assume is the developers pay. Well, the reality is purchasers pay.”

Housing Minister Peter Milczyn on June 23, 2013 as Chair of the
City of Toronto’s Planning and Growth Management Committee

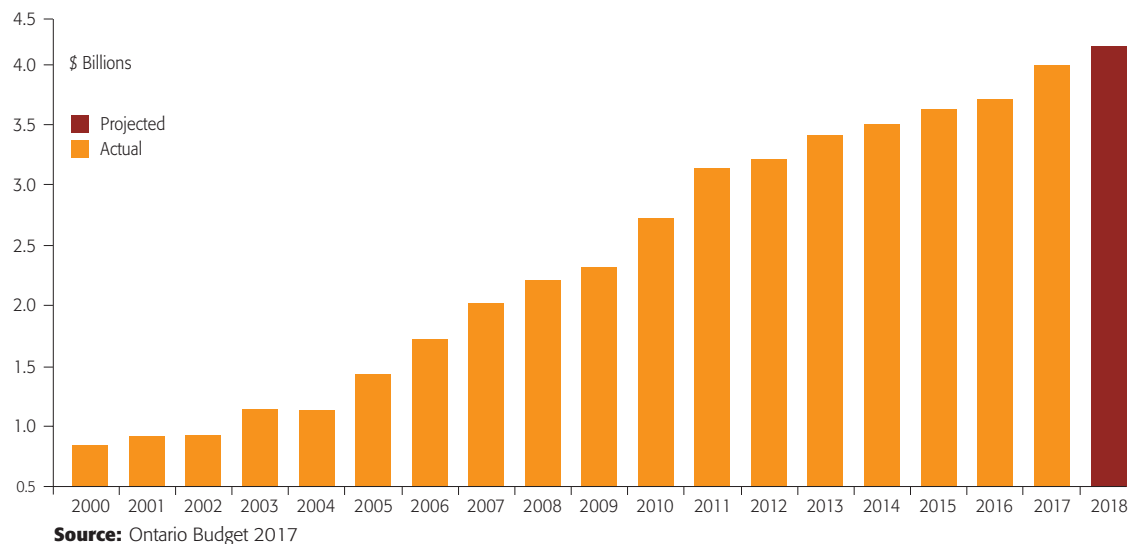
As taxes and other government charges increase, these are not absorbed by the industry but are added to the cost of a new home. The cost of infrastructure designed to last upwards of 75 years is embedded into the amortization of 25-year mortgages of home buyers. Municipalities increasingly rely on contributions from the new housing and development sector through development charges and other taxes and fees, rather than making politically unpopular decisions to set property taxes at appropriate levels and leverage debt while rates are at historic lows. Furthermore, OHBA notes that changes to the Development Charges Act from 2016 allowed municipalities to collect even higher development charges for transit and waste diversion.

Government Imposed Charges (GICs) are a challenge for the residential construction industry and present a financial barrier for new home buyers and new employers. As noted by the Ministry of Municipal Affairs, in 2013 alone, development charges paid to municipalities contributed \$2 billion directly toward the construction of growth-related infrastructure such as sewers, roads and transit. In comparison to other jurisdictions across Canada, Ontarians typically pay higher GICs as a percentage of the price of a new home.

Government Imposed Charges

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

ONGOING SUPPORT TO MUNICIPALITIES WILL INCREASE TO \$3.8 BILLION BY 2016



OHBA applauds the steps taken through the Provincial Municipal Fiscal and Service Delivery Review to relieve financial pressure on municipalities by phasing in a social services upload. Furthermore, gas tax contributions from both the provincial and federal governments have even further relieved fiscal pressure on municipal capital infrastructure budgets. The province is providing municipalities with ongoing support of approximately \$4 billion in 2017, which is an increase of almost \$3 billion from the level provided in 2003. With the social services upload completed and gas tax funds being increased further, municipalities should have greater fiscal capacity to make investments in core infrastructure. OHBA is concerned that despite greater fiscal capacity, municipalities continue to increase taxes on new neighbours and apply pressure on the provincial government to grant additional taxation powers.

2.3 Modernizing HST Thresholds for New Housing

Since it was implemented in 2010, the introduction of a single sales tax had significant implications for the provincial economy. OHBA recognizes that the comprehensive tax reform package reduced the tax burden for many businesses and yielded long-term economic benefits for capital investment; however, the HST bears significant negative sector-specific implications for new housing and residential renovations.

Prior to the implementation of the HST, home buyers in Ontario were only charged the GST on new home purchases. However, an effective provincial tax rate of an estimated 2 per cent was also embedded in these purchases, due to the taxation of building materials. If the HST had not been implemented and the prior regime was still in place:

- Only \$3.9 billion in sales taxes would have been collected by the provincial government from new home sales from 2010-2016; and
- **As a result of the implementation of the HST, the tax burden on homeowners was an additional \$3.4 billion above that revenue neutral level, over the same time, under the old tax regime.**

Provincial Tax Revenue Generated from HST Compared to Scenario Where Old Regime (2% PST embedded on New Home Purchases) was Still in Effect¹

Year	400K Threshold (Current Regime)	Under Old Regime (2% embedded PST)	Difference in Taxes Collected Due to HST
		\$Millions	
2010	834.1	472.4	361.7
2011	1,002.8	544.1	458.7
2012	1,105.5	593.7	511.9
2013	988.9	518.3	470.6
2014	1,004.5	511.7	492.8
2015	1,206.1	621.2	584.9
2016	1,134.4	597.6	536.9
Cumulative Total	7,276	3,859	3,417

¹ This calculation does not adjust for the fact that the HST was implemented on July 1st, 2010 (i.e. halfway through 2010)

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

OHBA was 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 is applied to new homes. However over the long term, OHBA is concerned that even with the progressive tax structure, the HST threshold for the rebate (\$400,000), has become too low for most new home buyers. The threshold should reflect increases over the past nine years in average new home prices.

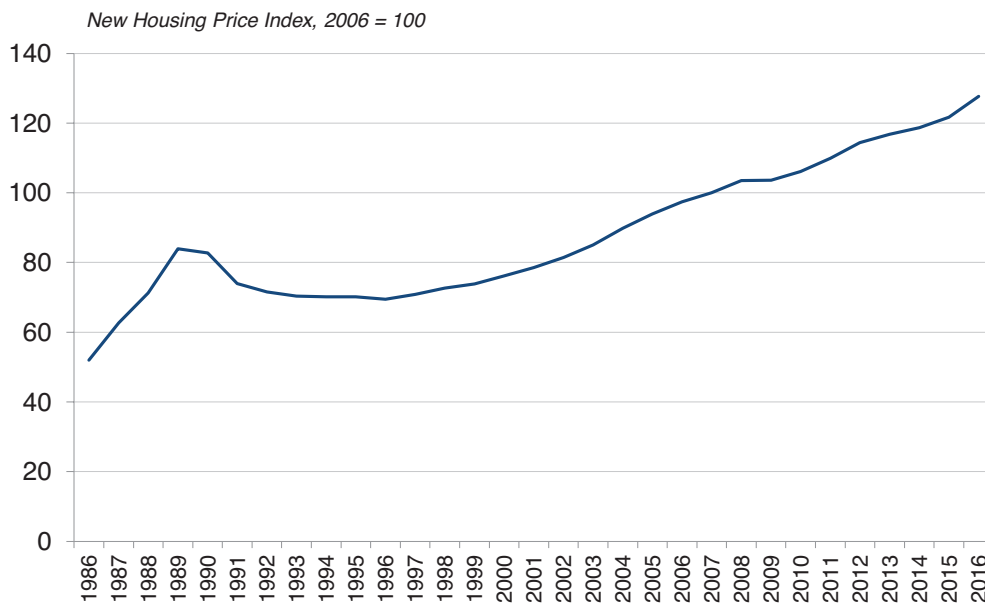
When the federal government first introduced the GST and the New Housing Rebate, it committed to adjust the thresholds at least every two years to



ensure that they continued to reflect changes in housing prices. Although the federal government has not delivered on this commitment, the principle that it established to reflect housing inflation 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.

A lot has changed since the HST threshold was established in 2009 and Ontario housing prices have appreciated substantially. Back then about 75 per cent of new homes in Ontario were under the \$400,000 threshold; the average price of a new home has increased by over 60 per cent since 2009. By comparing housing inflation rate to growth in CPI and family income, it shows that housing cost has outpaced the overall consumer inflation and become less affordable to average families. Rapid house price appreciation means that the HST has brought \$3.4 billion in additional net new revenue from the new housing sector since 2009, while making housing even more expensive.

New Housing Prices in Ontario, 1986 - 2016



Source: Altus Group Economic Consulting based Statistics Canada data

“Sales Tax revenues are estimated to be \$504 million higher, largely reflecting an increase to Harmonized Sales Tax (HST) revenues due to Ontario’s strong housing market, particularly housing completions in 2015”

2016 Ontario Budget – Page 253

Each passing year that home prices increase and the HST new housing threshold remains static at \$400,000 it is essentially a year of tax increase as fewer buyers fall under the threshold and more buyers face a higher tax burden. Under the current policy, the additional tax burden on new home buyers from the HST will grow dramatically during the next decade. This is due primarily to the effects of housing price increases, which lead to more new home buyers receiving a smaller portion of the rebate, relative to the new housing tax. The optimal solution to mitigate the negative effects and avoid further erosion in housing affordability in the coming years, is for the government to regularly review the housing rebate threshold.

“As a result of the implementation of the HST, the tax burden on homeowners was \$3.4 billion more, from 2010-2016, than it would have been under the old tax regime.”

Ontario’s HST New Housing Rebate: A Review and Analysis of the Rebate Threshold

– The Altus Group – November 2017

OHBA is not requesting the government resort to drastic measures. We are simply recommending that the government review the \$400,000 threshold to modernize it at an appropriate threshold given the changes that have occurred in the housing market across Ontario since 2009. This review will ensure that the tax rebate continues to reflect changes in housing prices and protect housing purchasers from excessive taxes over time.

2.4 Market Transformation – Home Energy Rating and Disclosure

If the provincial government is serious about meeting its greenhouse gas (GHG) emission targets, new initiatives need to be implemented to address the energy performance of millions of existing homes in Ontario that utilize older, less efficient technology. This is where the residential construction industry can play a critical role to mitigate against climate change through market transformation and improve the energy performance of Ontario's approximately 5 million existing homes.

Home Energy Rating and Disclosure (HERD) on the resale of a home is a positive step in the Climate Change Action Plan (CCAP) to ensure that home buyers are fully informed about the energy use of the home they are considering to purchase. New homes are already bound by requirements in the Ontario Building Code for minimum insulation levels and resource conservation, thus new home buyers can be assured they are already purchasing a high-performance home.

However, there are over 4.8 million homes in the province's existing housing stock that will ultimately benefit from an energy audit, thereby improving consumer disclosure and encouraging energy-efficient home improvements. These audits are intended to be provided free of charge with implementation targeted for 2019. Upgrading existing homes requires qualified professionals, like those registered with RenoMark, and with every dollar provided through CCAP, thousands of new jobs could be created to improve the overall economic health and growth of the province. OHBA continues to strongly support HERD on the resale of an existing home.

There will be many benefits to requiring energy labelling in the listing of an existing home for re-sale, including:

- Consumer disclosure through greater accountability and transparency;
- Professional advice regarding potential energy-efficient upgrades;
- Market transformation as buyers make informed choices based on the energy performance of housing, while sellers would invest in energy-efficient upgrades prior to listing;
- Home values would better reflect energy performance;
- Reducing energy use/bills and lowering GHG emissions.

2.5 Underground Economy and Residential Renovations

An effective tax administration system requires consumers and businesses to pay their fair share of taxes. Pressure from the underground economy continues to plague the \$28.3 billion renovation sector (equivalent to approximately 4 per cent of the provincial economy) where a high percentage of work is done for “cash.” The underground economy exposes homeowners to risks they often don’t understand and that can threaten their financial security. When consumers and businesses do not pay their fair share, provincial revenues are compromised, which has a direct impact on the programs and services Ontario residents rely on. When consumers and businesses do not pay their fair share of taxes, they also disadvantage other consumers and businesses that do follow the rules.

The introduction of the single sales tax (13 per cent) in 2010 has exacerbated an existing problem (the GST had previously encouraged many consumers to seek “cash deals”), including losses in tax revenues and increased risks to consumers. Subsequent to the implementation of the HST, the share of residential renovation spending through contractors that leaked underground has remained elevated, fluctuating between an estimated 38 to 40 per cent from 2010 to 2016.

Furthermore, OHBA remains concerned that mandatory WSIB coverage continues to drive legitimate businesses underground while doing nothing to improve health and safety on work sites. Some of the problems associated with the underground economy for renovations include:

- Building Code compliance deficiencies;
- Health and safety risks to construction workers;
- Introducing risks to consumers (financial and liability);
- Warranties are generally non-existent and consumers suffer with little or no recourse in the event of shoddy workmanship;
- Undermining consumer protection measures;
- Undermining the integrity of the tax system;
- Significant government revenue leakages such as: GST/HST, income and corporate taxes, CPP, WSIB and Employment Insurance premiums.

Estimated Tax Leakages for Federal and Provincial Governments Owing to the Underground Economy, Ontario

Year	Total Contractor Renovation Activity	Tax Leakages From Underground Economy Activity	year-over-year % Growth in Tax Leakages
	Millions (\$)		
2010	15,275	2,114	n/a
2011	15,673	2,152	1.8%
2012	16,328	2,214	2.9%
2013	16,816	2,231	0.7%
2014	17,862	2,439	9.3%
2015	18,662	2,532	3.8%
2016	19,611	2,615	3.3%
2010-2016 Cumulative Total	120,226	16,297	

Source: Altus Group Economic Consulting estimates, based on data from Statistics Canada, WSIB, Ontario Ministry of Finance

“It is estimated that provincial and federal governments lost a substantial \$16 billion in potential tax revenues from 2010-2016 through residential renovations undertaken by contractors in Ontario, owing to the underground economy.”

Combating Ontario’s Underground Economy in the Residential Renovation Sector and
Reducing GHG Emissions Through Innovative Policies
The Altus Group – November 2017

Through its renovator members, OHBA 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. In order to be a member in good standing with RenoMark™, renovator members agree 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.

In 2016, the former Parliamentary Assistant MPP Laura Albanese consulted with key stakeholders, including OHBA, to better understand the scope of the underground economy within the sector. Released in 2016, *Addressing Ontario's Underground Economy in the Residential Construction Sector* included several recommendations that OHBA supports, including:

- Leveraging information provided by regulatory entities and industry associations, in a responsible manner, to better focus efforts on areas of non-compliance;
- Encouraging ministries, all levels of government including municipalities, regulatory entities and industry organizations to partner together in campaigns that educate and increase public awareness of the consequences of the underground economy;
- Launching a public awareness campaign that will inform Ontario homeowners, businesses and consumers of the risks and potential liabilities associated with participating in the underground economy;
- Introducing incentives for homeowners to hire qualified and reputable contractors for home improvements;
- Continuing to partner with industry, similar to the forthcoming investment in home energy audits under the Green Energy Fund, to encourage homeowners to work with reputable contractors when renovating and retrofitting their homes;
- Working within and across various levels of governments, regulatory entities and industry organizations to further explore, develop options and determine the feasibility of linking building permits to independent contractors or subcontractors performing the work.

The underground economy accounts for billions in lost economic activity in Ontario each year. When businesses aggressively avoid or evade paying taxes, everyone else is left to make up the shortfall. This also puts the competitiveness of legitimate businesses at risk. Illicit practices may also affect worker safety and prevent workers from accessing government support programs, such as workplace safety and insurance protections, the Canada Pension Plan and Employment Insurance. OHBA strongly encourages the provincial government to continue and strengthen efforts to combat the underground economy.

“As the voice of the residential construction and professional renovation industry in Ontario, OHBA welcomes these discussions and looks forward to working with the government to stop the underground economy in order to protect consumers and support professional home builders and renovators.”

Joe Vaccaro, Chief Executive Officer, Ontario Home Builders' Association

Ministry of Finance Media Release, January 12, 2016

2.6 Energy Efficiency Home Renovation Tax Credit

The provincial government should consider a targeted *Energy Efficiency Home Renovation Tax Credit* to address climate change through improvements the energy performance of Ontario's 4.8 million existing homes, while at the same time combatting the underground economy. If the provincial government had introduced a tax rebate targeting the contractor renovation sector directly to consumers, the negative effects of the underground economy would have been mitigated. The introduction of a rebate would have created an extra incentive for homeowners to document properly and report their contractor renovation projects, thereby lessening the amount of contractor renovation spending lost to the underground economy. Had a rebate been introduced, a substantial portion of tax revenues lost to the underground economy could have been recouped, at a relatively minimal direct financial cost to the provincial treasury.

New initiatives, such as an *Energy Efficiency Home Renovation Tax Credit* could be designed to improve tax compliance while also being utilized to enhance other initiatives such as HERD on resale homes, which will be implemented in 2019. Existing buildings in the residential sector account for 10.9 per cent of Ontario's carbon emissions - meaning that the government should take immediate steps to improve the performance of the millions of existing homes across the province.

The introduction of a permanent and targeted *Energy Efficiency Home Renovation Tax Credit* for renovations undertaking work to improve the energy efficiency of existing homes would have beneficial impacts:

- Reducing the amount of tax leakage due to the underground economy by incentivizing homeowners to properly document and report their contractor renovation projects; and
- Helping the provincial government meet public policy objectives pertaining to climate change mitigation through the reduction of GHG emissions in residential properties.

The key program design component is twofold:

1. Consumers save receipts from legitimate businesses to apply for the tax credit and submit them to the CRA, which cross references that data against other databases such as the WSIB, thereby weeding out businesses that are tax-cheats; and
2. Renovations that upgrade aging housing stock including those that improve energy efficiency/performance, and thus reduce GHG emissions should qualify for the tax credit.

This type of consumer-focused program would incent “good behaviour” by offering a tax credit to those that collect receipts from legitimate business and submit those receipts to the CRA. A well-structured *Energy Efficiency Home Renovation Tax Credit* could bring in additional tax revenues that are currently “leaking” to the underground. The federal Home Renovation Tax Credit (HRTC) was such a tremendous success that the Canada Revenue Agency (CRA) stated:

“Analysts have estimated it [HRTC] pumped an additional \$4.3 billion in renovation investment into the economy at a time when the recession would have reduced investment in the sector.”

Canada Revenue Agency – Jan 25, 2011

OHBA views HERD in combination with an *Energy Efficiency Home Renovation Tax Credit* as two separate, but related, initiatives that would target Ontario’s existing and aging housing stock for market transformation. Millions of existing homes are decades old and were built at a time when energy performance was not a priority. Furthermore, a certain portion (about 10 per cent) of Ontario’s current housing stock was built prior to the introduction of the first National Building Code in 1941. As a result many of these homes lack adequate insulation. The tax credit could be targeted and tailored to encourage existing homeowners to improve energy efficiency and to achieve specific public policy objectives related to climate change mitigation and adaption. These types of bold initiatives are essential, if the province is serious about making a dent in the 10.9 per cent of the provincial greenhouse gas emissions that come from Ontario’s 4.8 million existing homes.

Research by the Altus Group (*Combating Ontario's Underground Economy in the Residential Renovation Sector and Reducing GHG Emissions Through Innovative Policies*–November 2017) indicates that if the provincial government introduced a tax credit for energy efficient home renovations, it would have recovered a significant portion of tax revenues lost to the underground economy. As well, a tax credit would have helped mitigate climate change by stimulating energy efficient renovations and lowering carbon emissions from existing homes. OHBA therefore recommends that the provincial government implement an *Energy Efficient Home Renovation Tax Credit* with thresholds designed to be revenue neutral to the provincial treasury.

2.7 Green Ontario Fund

Through the Green Ontario (GreenON) Fund, OHBA is pleased that the province is introducing consumer rebates for homeowners when they use qualified contractors to make energy efficient renovations. OHBA has long advocated for energy efficient rebates as a way to make older homes more energy efficient while also addressing the underground economy in the renovation sector. Ontarians can now access rebates to complete low-carbon, energy-efficient renovations to their homes through the Green Ontario Fund, funded by proceeds from the province's cap-and-trade program. OHBA is supportive of these measures as well as GreenON Support to provide consumers advice from energy experts on how they can save money and reduce their carbon footprint through home upgrades.

The GreenON rebates cover:

- Up to \$7,200 off new insulation and a \$100 rebate for air sealing;
- Up to \$20,000 to install ENERGY STAR certified ground source heat pumps (home geothermal) or up to \$4,500 to repair existing heat pump systems;
- Up to \$5,800 off air source heat pumps that are ENERGY STAR certified or meet program requirements;
- Up to \$5,000 for replacement windows that meet program requirements.

OHBA is supportive of these programs and measures within the programs because they help ensure that certified contractors are participating. It is important that any energy-efficient renovation or retrofit programs designed by the province also include measures to protect against inadequate workmanship and to ensure that underground operators do not have access to these programs. OHBA encourages the province to consider expanding these retrofit programs for a broader variety of energy efficient upgrades with the objective of improving Ontario's existing housing stock and reducing GHG emissions.

2.8 Underground Economy and Illegal Building

Illegal building affects everyone: purchasers of illegally built homes are typically unaware of their rights to new home warranty protection, illegal builders may use sub-standard trades, and homes may not even meet Ontario Building Code standards. When an individual declares on their building permit application that the home they are building privately (not being built by a Tarion-registered builder) for their own personal use, fulfill the building inspection process, but then sell the home without registering it within the Ontario New Home Warranty Plan, the seller is failing to comply with the law and failing to provide the new owner with their legislated warranty rights and protections.

For municipalities, illegal building can lead to potential liability related to improper design, construction and lack of appropriate permits and approvals. It is estimated that Tarion pays about \$1 million a year in claims related to illegally built homes.

It is illegal for a home builder to enter into an Agreement of Purchase and Sale or construction contract with a purchaser if the builder is not registered with the Tarion Warranty Corporation. It is also illegal to begin construction of a home or condominium without first enrolling it with Tarion. Offenders can be charged by Tarion under the *Ontario New Home Warranties Plan Act* with fines of up to \$100,000 by Ontario Courts. In addition, convicted offenders may be imprisoned for up to one year or placed on probation. Tarion employs a team of investigators to uncover builders and vendors in Ontario who fail to register and/or to enroll new homes with Tarion.

OHBA supports the provincial government's previous legislative changes made through the *Good Government Act, 2009* which made it mandatory for municipalities to share their building permit information with Tarion. Since 2011, this data has helped Tarion's Enforcement Department, through its criminal intelligence approach, to more easily detect illegal building activities in over 400 municipalities across Ontario.

Despite these legislative changes, illegal building continues to plague many municipalities across Ontario. OHBA was pleased that the 2014 provincial budget stated a commitment to work with OBOA and Tarion to implement additional regulatory changes that would help curb illegal building activities and protect Ontario's new home buyers.

Through consultation, OHBA and Tarion are developing an implementation model that will be workable for key stakeholders and not be onerous on registered builders or municipal building departments. In 2015, Tarion, in partnership with OHBA and OBOA, launched an *Illegal Building Prevention Strategy* to protect new home buyers from the dangers of illegal building in six municipalities in Ontario. Under the pilot project, an applicant for a building permit who claims to be an owner/builder would have to obtain a Letter of Confirmation confirming that they are exempt from the warranty program, issued by Tarion to the Chief Building Official (CBO) of the municipality. If the applicant does not have a Letter of Confirmation, the municipality will not issue a building permit. As a result of the pilot project's success, Tarion added an additional nine municipalities to the pilot bringing the total to 15 participating municipalities. OHBA supports the pilot project that combats illegal building and is pleased to have received the leadership and support from the OBOA and the Large Municipalities' Chief Building Officials.

2.9 Infrastructure / Transportation

OHBA supports coordinated infrastructure investment towards strategic projects based on clearly defined priorities. These targeted investments should support other provincial objectives such as intensification, climate change mitigation/adaptation and the efficient movement of goods and people. OHBA believes the expansion of "core" infrastructure (roads, transit, water and waste-water) in support of delivering much-needed housing supply to a growing population should be a key priority for the provincial government. Equally important is long-term asset management planning through the ongoing maintenance of Ontario's existing infrastructure.

Over the next decade, OHBA is encouraged by the significant investments in dedicated transportation-related infrastructure to which the provincial government has committed. The cost of these infrastructure investments, as outlined in the 2014 provincial budget, was equitably allocated from the general tax-base and through a targeted repurposing of the existing gas tax, as recommended by OHBA in the 2007 OHBA resolution recommending allocating an additional portion of the existing gas tax specifically for transportation infrastructure.

It is critical that the province not undermine its own planning objectives through a misalignment of tax/fiscal policy. Location-efficient communities are already generally less affordable for people to purchase or rent. OHBA was supportive of the *Infrastructure for Jobs and Prosperity Act, 2015* to require greater transparency and life cycle financial planning through a regulation (O. Reg. 588/2017) that was passed in December 2017 to require municipal infrastructure Asset Management Plans. OHBA is also concerned that other provincial initiatives, such as the amendments to the *Development Charges Act* in 2016, will increase taxation in the very communities in which the provincial government is trying to direct growth.

OHBA supports a planning and infrastructure financing framework that provides business certainty through pre-zoning and the implementation of development permit systems on transit corridors. The province has made positive initial steps by incorporating new density targets for Major Transit Station Areas in the updated *Growth Plan, 2017*, but the play needs to be completed by implementing zoning by-laws to actually implement these density targets. Provincially funded transit projects, should also include conditions for ‘as-of-right’ municipal zoning to reduce the barriers of intensification and encourage investment-ready communities to ensure the best use of scarce public dollars.

The new housing and land development industry is a key partner to the province in creating transit-oriented, complete communities that will support provincial transportation plans and investments over the long term. The need for new transit and transportation infrastructure is more than a reflection of demographic growth with the corresponding requirements for new housing and employment, but it is a response to the existing and, in many cases, deficient transportation requirements of current residents and employers. The new housing and development industry will continue to contribute its

fair share of resources to support the necessary expansion and improvement of transportation infrastructure, but they should not be subject to pay an unequitable and disproportionate share of funding.

2.10 Housing for People to Purchase or Rent

As more households struggle amid rising housing costs, far too many residents are being left behind in communities across the province. Rising housing prices have made the leap from renting or from living with parents into homeownership more difficult and many Ontarians struggle to even cover monthly rental costs. With housing being central to Ontario's economic and social underpinning, it is critical to be proactive to address the structural barriers that impede both housing affordability and housing supply.

There must be much stronger public policy alignment between all levels of government to improve Ontario's housing picture. Cash-strapped government treasuries do not preclude the province from undertaking regulatory improvements and streamlining processes. Therefore, OHBA supports the Development Approval Roundtable's 14-point Action Plan and believes that more will need to be done to reduce barriers to deliver new housing supply. The province should undertake a stronger leadership role in facilitating a greater alignment of municipal policies with provincial policy throughout Ontario. It is essential that municipalities ensure local official plans and zoning by-laws are up to date and consistent with provincial policy as an effective implementation vehicle for provincial planning policy and delivering housing supply. Modern, up-to-date municipal zoning by-laws will provide greater certainty, result in fewer appeals, increase public awareness and result in a more efficient planning system that supports provincial goals for complete communities, a strong economy and a healthy environment.

OHBA has also voiced strong opposition to the province's handling of reforms to the planning appeal system (OMB Reform) that will reduce appeal rights, further politicize local planning decisions and will have a negative impact on the ability for industry to bring new housing supply to the market. Simply put, the land-use planning system will become less certain, more time-consuming and more political. Land-use planning policies have a direct impact on what, where and when new housing supply is approved and brought to the market, and thus impacts the price of housing.

Many municipal property tax systems continue to disadvantage multi-residential properties relative to residential properties. The effect of high property taxation on low-income households is that Ontario has a regressive property tax system. Ontario tenants pay property tax rates that are on average a couple times higher than homeowners, yet, on average, they have half the incomes of homeowners. This is a significant social equity issue resulting in the lowest income people in Ontario being charged the highest municipal tax rates. Due to the inability of municipalities to deliver taxation equity to renters, OHBA is pleased that the province has taken steps to OHBA's long-standing recommendation to equalize residential and multi-residential property tax rates across Ontario.

3. CONCLUSION

Many communities across Ontario experienced significant housing price escalation over the past year, which impacts affordability, personal finances, social issues, consumer debt and the broader economy. There are many complex factors that influence the price of housing. Ontario's Fair Housing Plan took a number of steps on both the demand and supply side to address rapid housing price escalation, but more needs to be done to address longer term structural issues within the housing and land use planning systems. The provincial government has many public policy and fiscal policy levers at its disposal, which can have either positive or negative impacts on the price of housing.

OHBA's four key recommendations for the upcoming 2018 budget are:

- Recognize that the HST had direct impacts for residential construction and that housing prices have escalated significantly since the \$400,000 threshold was established in 2009. The province should commit to a review of the \$400,000 threshold to modernize it to a more appropriate threshold.
- Implement the Development Approvals Roundtable 14-point Action Plan and explore further opportunities to reduce timelines, streamline approvals, reduce red-tape and improve Ontario's land use planning system to deliver housing to the market faster.
- Address the underground economy and climate change through a combination of policy initiatives, including a home renovation tax credit targeting the energy efficiency of Ontario's 4.8 million existing homes; and the continued roll-out of the GreenON retrofit programs targeting energy efficient upgrades in existing homes.
- Continue to make investments in public transit and transportation infrastructure to address increasing congestion. Enhance investment in key areas of core infrastructure, especially upgrading and expanding water and waste-water systems.

OHBA looks forward to working with the province to ensure our industry continues to supply the necessary housing to support a growing economy and that the residential construction industry remains the engine that drives the provincial economy.

APPENDIX A

RESOLUTION # 1 (External)



Submitted to: Ministry of Municipal Affairs
Attorney General

Submitted by: OHBA Land Development Committee

Date: September 25, 2017

Subject: Local Planning Appeals Tribunal / Ontario Municipal Board

Whereas: In 2016, the provincial government commenced a review of the scope and effectiveness of the Ontario Municipal Board (OMB). The OMB review commenced only months after a number of significant changes to the land use planning and appeals system have taken effect through the *Smart Growth for Our Communities Act*; and

Whereas: In May 2017 the province announced an overhaul to the province's land use planning appeals system and introduced Bill 139, *Building Better Communities and Conserving Watersheds Act, 2017* to create the Local Planning Appeal Tribunal (LPAT) to replace the OMB. The new tribunal is mandated to give greater weight to the decisions of local communities; and

Whereas: OHBA responded in a press release "If this new Tribunal puts local politics ahead of Smart Growth planning, it will only serve to empower NIMBY councils to make planning decisions to get re-elected. The role of the OMB has always been to take the politics out of local planning and ensure that decisions are made based on evidence, 'good planning,' and conformity to provincial policy."; and

Whereas: OHBA continues to support the essential role of the OMB as an impartial, evidence-based, administrative tribunal that is responsible for handling appeals of land use planning disputes. In this administrative authority, the OMB has served to ensure that provincial land use policies and objectives are achieved, and that municipalities employ consistency in the application and implementation of the *Planning Act*, the *Development Charges Act*, the *Provincial Policy Statement* and other related land use legislation. OHBA does not believe that the stated goals of the provincial government for the proposed legislation will be achieved through Bill 139 and the LPAT, as currently proposed.; and

Whereas: The PPS and Growth Plan focus on optimizing Ontario's economic opportunities and existing infrastructure to create vibrant, livable communities. However, we continue to believe that this proposed OMB framework will challenge the ability to achieve optimization, and result in adverse effects on the economic stability of the development industry, as well as the local municipalities that the industry operates in. OHBA are very concerned that this proposed framework will empower local councils to override conformity with the PPS, Provincial Plans and enable decision-making that is not vested in the long-term public good, but rather re-election. This type of approach to land use planning in Ontario will result in even greater pressures on housing supply and prices; and

Whereas: The currently proposed provisions will negatively impact provincial policy and there are structural complications with the Bill that will fail to protect the provincial interest.

Therefore be it resolved that: the current legislative proposal does not support smart growth principles or encourage updating of municipal zoning bylaws. The province must ensure that municipal OPs and zoning bylaws be modernized to reflect and optimize provincial policy;

Therefore be it resolved that: Further consultation be required and significant legislative amendments be implemented before the enactment of Bill 139.

MOVED: Kevin Fergin

SECONDED: Bob Schickedanz

RESOLUTION # 2 (External)



Submitted to: Ministry of Housing
Submitted by: OHBA Land Development Committee
Date: September 25, 2017
Subject: Inclusionary Zoning

Whereas: The province passed the *Promoting Affordable Housing Act, 2016* (Bill 7) on December 6, 2016 that will allow municipalities to require the inclusion of affordable housing units in new residential projects. A regulation under the *Planning Act* will set the framework for Inclusionary Zoning; and

Whereas: In advance of the legislation being introduced, OHBA and BILD created a Statement of Intent on Affordable Housing & Inclusionary Zoning that outlines our principles for Inclusionary Zoning; and

Whereas: *The Economics of Inclusionary Development* (2016) by the Urban Land Institute and the Terwilliger Center for Housing found that almost all American cities offer various development incentives to offset the economic impacts the inclusionary policy has and that the inclusionary policies depend on market-rate development to be successful:

“In most cases, jurisdictions will need to provide development incentives to ensure the feasibility of development projects affected by an IZ policy. The principal incentives are direct subsidies, density bonuses, tax abatements, and reduced parking requirements. Individually and in combination these incentives can substantially enhance the feasibility of development projects affected by an IZ policy.”.

Whereas: OHBA, BILD and the Niagara Home Builders' Association all made deputations to the Standing Committee on Social Policy regarding inclusionary zoning and industry support for a partnership model to ensure a sharing of costs and ultimately an approach to ensure the successful delivery of affordable housing units. Key amendments made to the legislation prior to Royal Assent include allowing Section 37 to be used subject to the provisions in the regulation and adopting an OHBA recommendation to allow "off-site" affordable unit.

Therefore be it resolved that: if the Province proceeds with a new regulation to outline the framework for municipal implementation of inclusionary zoning, it must be considered in the context of the entire legislative framework and it should be delivered with fiscal supports in a clear planning framework; and

Therefore be it further resolved that: if the Province proceeds with a new regulation to outline the framework for municipal implementation of inclusionary zoning, it should be designed based on a partnership model for inclusionary zoning in which the private sector takes responsibility for the design, construction, project financing of the community, administration, and delivery of affordable housing units, while the public sector takes responsibility for the costs of delivering the units via measures, incentives, offsets and supports; and

Therefore be it further resolved that: A regulation should establish a maximum for number of units-set-aside for the government required affordable housing as no more than 10 percent for high-rise based on the incremental density over 'as-of-right' zoning permissions, and no more than 5 percent for low-rise; and

Therefore be it further resolved that: A regulation should provide flexibility for municipalities to tailor the length of affordability periods to meet local needs to a maximum of 20 years and require that measures, incentives and supports be directly correlated to the affordability time period to ensure that the costs are appropriately shared between partners; and

Therefore be it further resolved that: A regulation should establish a minimum threshold of 100 units for multi-family developments and a density threshold of 25 units per acre for low-rise / grade related residential developments (approximate density for a townhome project); and

Therefore be it further resolved that: The regulation should establish a reasonable transition date for complete applications that does not jeopardize projects planned or under construction.

MOVED: Wayne Hissa

SECONDED: Steve Szasz

RESOLUTION # 3 (External)



Submitted to: Ministry of Advanced Education and Skills Development
Ontario College of Trades

Submitted by: OHBA Health and Safety Committee

Date: September 25, 2017

Subject: Increasing apprenticeship opportunities through Innovative Workplace Models

Whereas: Apprenticeship completion rates in Ontario are among the lowest in Canada; and

Whereas: Only 51 percent of registered apprentices in compulsory trades complete their apprenticeship and only 33 percent of registered apprentices in voluntary trades complete their apprenticeship; and

Whereas: Only one in 7 small businesses are employing an apprentice; and

Whereas: There is significant untapped potential for more apprenticeship opportunities through small and large businesses; and

Whereas: A shared apprenticeship model that would allow employer to pool their resources in order to leverage hire more apprentices; and

Whereas: Many small businesses do not hire apprentices because they are too small, too seasonal, unfamiliar with apprenticeship and/or concerned with administrative burden; and

Whereas: A shared apprenticeship model would allow these employers to hire apprentices in short or medium duration as the apprentice is not bound to the same employer for the entire duration of their apprenticeship. A central sponsor would also take many of the administrative burdens of apprenticeship sponsoring by coordinating and record keeping in a central location; and

Whereas: The current journeyman-to-apprentice ratio creates a significant barrier to hiring apprentices for medium sized companies that are already active participants in the apprenticeship system; and

Whereas: For many employers in a unionized environment this obstacle is overcome through its own union-based sponsor program. Current policies with MAESD and the Ontario College of Trades allow for the ratio to be applied to the sponsor, not each individual company. This would benefit significant numbers of firms and unlock many apprenticeship positions in many medium sized companies that are able to utilize the journeyman numbers from the pool of companies.

Therefore be it resolved that: OHBA in cooperation with other industry and trade associations seek to obtain employer sponsor status in order for more small businesses to be active in providing apprenticeable work; and

Therefore be it further resolved that: OHBA in cooperation with other industry and trade associations seek funding through the Ontario Centre for Workplace Innovation in order to finance the administrative and marketing costs of starting this initiative.

MOVED: Paul Jansen

SECONDED: Josh Kardish

RESOLUTION # 4 (External)



Submitted to: Attorney General
Ministry of Infrastructure
Association of Municipalities of Ontario (AMO)

Submitted by: OHBA Executive Committee

Date: September 25, 2017

Subject: Construction Lien Act

Whereas: The government introduced Bill 142, *Construction Lien Amendment Act, 2017* in May 2017 which if passed would create significant amendments to the *Construction Lien Act* and would overhaul the payment and contract processes in construction; and

Whereas: The changes follow recommendations from Bruce Reynolds and Sharon Vogel; and

Whereas: OHBA actively participated in the consultation providing context regarding the uniqueness of residential contracts and payment structure in both non-union and union environments; and

Whereas: The legislation will create a prompt payment provision regime that conflicts with established collective agreements and payment practices in the non-union sector; and

Whereas: The proposed system will create a significant administrative burden on developers, builders, and contractors; and

Whereas: The prompt payment provisions in Bill 142 effectively creates a “pay-when-paid” regime which is inconsistent with the current practice in the residential construction sector and which exposes industry players to excessive costs and abuse; and

Whereas: the adjudication process proposed will cause delay and expense for all those involved in a residential construction project and is open to abuse.

Whereas: An adjudication process does not lend itself well to the residential construction sector which is dominated by small, owner-managed businesses which cannot afford to engage legal counsel, investigate allegations of deficiencies, and take time away from work, all while coping with the usual intense pressure to complete ongoing work on time and run a business. Contractors and subcontractors will often feel the need to engage legal counsel to level the playing field when facing a more sophisticated owner or general contractor.

Therefore be it resolved that: That the timelines associated with the prompt payment provisions must be amended for residential building projects and additional clarity must be brought to the legislation as it is currently drafted; and

Therefore be it further resolved that: The Attorney General engage in sector specific consultations with the residential construction industry to address our concerns with the legislation.

MOVED: Kevin Brousseau

SECONDED: Brandon Campbell

RESOLUTION # 5 (External)



Submitted to: Ministry of Finance, Ministry of Labour, Ministry of Environment and Climate Change
Premier's Office, PC Leader Patrick Brown, NDP Leader Andrea Horwath

Submitted by: OHBA Renovators' Council

Date: September 25, 2017

Subject: Energy Efficient Home Renovation Tax Credit

Whereas: Renovation sector accounts for some \$28.3 billion in annual investment in Ontario, supporting some 240,000 jobs. However it is estimated that 37% of total output of contractor renovations occur in the underground; and

Whereas: According to Statistics Canada, the residential construction sector comprises almost 30 per cent of Ontario's underground economy, or approximately \$4.5 billion in annual underground economic activity; and

Whereas: CRA Press release in 2011, stated that the Federal Government's one year Home Renovation Tax Credit: "pumped an additional \$4.3 billion in renovation investment into the economy, at a time when the recession would have reduced investment in the sector;" 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; and

Whereas: A Home Renovation Tax Credit targeting energy efficiency would support "green jobs" and reduce revenue leakage into the underground economy by incenting the use of legitimate business; and

Whereas: An Energy Efficient Home Renovation Tax Credit addresses a number of issues:

- Combating underground cash economy in reno sector (over \$7 billion annually);
- Provides tax credit incentive for consumers to use legit business;
- Reduces tax leakage to the underground economy through incentives;
- Improving existing older homes' energy efficiency thus reducing hydro bills;
- Addresses climate change by improving energy efficiency & reducing GHG emissions from Ontario's existing housing stock (4.8 million existing homes currently represents 10.9% of GHG emissions in Ontario);
- Improves health & safety for construction works and reduced home owner liability risk by utilizing legitimate businesses with appropriate credentials, certifications and permits;

Whereas: An Energy Efficient Home Renovation Tax Credit supports a range of government objectives:

- Reduces tax burden to consumers through direct rebate;
- Addresses Climate Change & reduces GHG emissions from housing;
- Combats underground economy to better level playing field between legitimate business and underground cash operators;

Therefore be it resolved that: the Provincial Government should design and introduce a consumer focused Home Renovation Tax Credit targeting energy efficient upgrades so that home owners can improve their homes and combat the underground economy while helping the environment, reducing their carbon footprint and reducing energy bills.

MOVED: Bob Schickedanz

SECONDED: Louie Zagordo



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Home Builders'
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