



Ontario
Home Builders'
Association

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December 20, 2021

Mr. Jake Lawrence
Chair, Housing Affordability Task Force

Housing Affordability Task Force
777 Bay Street, 14th Floor
Toronto, ON M7A 2J3

Dear Mr. Chair & Task Force Members,

The Ontario Home Builders' Association (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 27 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 477,000 people and contributed over \$55.3 billion to the province's economy in 2020, which proved to be a stabilizing force for Ontario during a year of disruption through the COVID-19 pandemic. Our industry is tasked and have the vital responsibility to build the housing supply Ontario needs to accommodate the projected growth our province will see.

On behalf of OHBA we thank all members of the Housing Affordability Task Force (HATF) for your work to help address the price of housing throughout our province. The work of the task force is critical to identifying the multitude of solutions needed to address the intensifying housing affordability crisis that is putting the great Canadian dream of home ownership increasingly out of reach for more Ontario families. There is no single solution, but rather a number of bold measures that must be taken with vigor and purpose to address the scale of the housing crisis we are facing. The residential construction sector is ready and prepared to deliver the necessary housing supply and choices we so desperately need so that more Ontario families can move up the housing ladder and put the great Canadian dream of home ownership back within reach.

It is vital to preface with the demand challenges Ontario communities are facing which is directly impacting affordability. In October 2021, OHBA consulted noted economist Dr. Mike Moffatt on a new population growth and family formation report entitled, "[*Baby needs a New Home, Projecting Ontario's Growing Number of Families and their Housing Needs*](#)". The report concludes that with 2.27 million more people calling Ontario home over the next decade, our province will need to build one million new homes just to keep pace with population growth, the formation of young families, and to address current and future housing supply shortages. The growing demographic of Ontarians in their late 20s and early 30s is driving the demand for family-friendly housing, resulting in families spreading out across the province looking for a home in which to raise a family or otherwise are unfortunately even delaying having children due to a lack of housing options.

Demand outstripping supply comprises the core of the affordability problem and until Ontario takes bold steps to dramatically increase the supply of all types of housing, we will not make meaningful progress towards addressing the affordability crisis. OHBA has a number of important initiatives we feel are key to dramatically increasing the supply of housing in communities across Ontario that will accelerate the delivery of housing units to market so that more Ontario families can get the keys to their new or newly renovated home.



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Pay-on-Demand Surety Bonds

When approving a development proposal, such as a subdivision or site plan, municipalities seek assurance that the necessary site improvements will be made in a timely manner as required by the developer including the installation of common services specified by the developer's consulting engineers as reviewed and approved by the municipality's engineers. Development agreements typically contain details on the satisfactory completion of services installed and the required guarantee and maintenance period as they will eventually be owned by the municipality. These agreements also contain financial security provisions to ensure that the developer's obligations are completed on time and function properly according to municipal standards and the requirements.

Throughout the 1950's, 60's and 70's it was common practice that Ontario municipalities accepted surety bonds as financial security for these agreements. Unfortunately, since the 1980's municipalities have moved away from accepting surety bonds as a form of financial security and today almost exclusively require Letters of Credit (LOC) from a Schedule "A" Bank. As a result, builders and developers require the necessary credit capacity and/or need to collateralize each LOC with a cash deposit, therefore, inhibiting their ability to invest and build more homes. In aggregate, across Ontario, there are billions of dollars of credit capacity and/or cash deposits that are sitting idle and not being deployed to create housing supply and choice, employment opportunities, and stimulate the economy. Furthermore, builders and developers who have multiple sites may need to postpone advancing new projects due to the financial restrictions imposed by LOC's. Ultimately this has a constraining impact on housing supply and cost.

There is a solution, the use of modern Pay-on-Demand Surety Bonds (PODSB). A PODSB can be designed to provide the identical security and features of a LOC while not negatively impacting builder and developer credit capacity to bring additional projects and housing supply forward. Accordingly, OHBA proposes that the HATF consider measures that could be implemented requiring municipalities to accept PODSB's as an acceptable alternative to a LOC for development and site plan agreements.

While OHBA has advocated the use of PODSB's and with 444 municipalities in Ontario, progress has been slow, however, the City of Hamilton, City of Pickering, Town of Innisfil, and the Town of Whitchurch-Stouffville have adopted the use of Bonds. In addition, several western urban centres including the Cities of Calgary and Edmonton accept PODSB's.

In considering this important initiative it is important to note that the use of PODSB's will have a positive beneficial impact on creating additional housing supply by unlocking billions of dollars of additional capital investment, however, it will not create additional public sector financial exposure, risk and or expenditures. Essentially, it is a policy option which has no cost impact on the treasury or consumers and would dramatically accelerate housing supply and delivery, further helping to meet demand challenges and improve housing affordability.

Home Renovation Tax Credit

The Seniors' Home Safety Tax Credit from the Fall 2020 budget (and continued as part of the 2021 Fall Economic Statement) was welcomed by **#homebelievers** who are investing in their current homes. This incentive will help more Ontario seniors age in place and in comfort in the home that they love. OHBA proposes that the HATC endorse expanding the Seniors' Home Safety Tax Credit program into a fulsome Home Renovation Tax Credit (HRTC) modeled after the previous federal program and the one currently in place in Saskatchewan. This measure will increase housing affordability by enabling the construction of secondary suites, helping homeowners generate additional income to pay towards the costs of the home while also bringing a rental unit to market. An HRTC provides significant benefit of improving the supply of rental housing stock in existing communities, by enabling young families to enter the housing continuum sooner.



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An essential element of moving Ontario into the post pandemic economic recovery stage is to support renovation investment through a consumer-focused rebate. Immediately following the 2008/09 financial crisis, the HRTC was a key component of Prime Minister Stephen Harper's federal Economic Action Plan. The HRTC proved to be very successful with over 3 million Canadians participating in the one-year HRTC. In fact, a Canada Revenue Agency (CRA) press release in 2011, stated that the federal government's one-year 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"¹. The CRA economic summary clearly shows that **#homebelievers** needing transformative home renovations are welcoming action by government to reduce the tax burden and the cost of these improvements.

Fundamentally, we know that the HRTC will be a key component of increasing housing affordability as it would,

- Add gentle density in existing neighbourhoods through incentivizing the addition of in-law suites, basement apartments and rental units;
- Improve older homes' energy efficiency & reduce hydro bills and well as demand on municipal infrastructure such as water and sewage;
- Repair the aging housing stock across Ontario;
- Help address climate change by improving energy efficiency & reducing GHG emissions from Ontario's existing housing stock;
- Post-pandemic, provides for the shift towards a working-from-home business culture;
- Enabled homes to be renovated as multi-generational dwellings for families to look after their loved ones who require more advanced levels of care. This will reduce the burden and costs on our health care system and more importantly the stress on providing long term care facilities which has come to light during this COVID-19 health crisis;
- Ensure renovations have appropriate permits, inspections and are built to the standard of the Ontario Building Code.

Properly Resourcing and Staffing the Ontario Land Tribunal

In many cases, development applications end up being appealed to the Ontario Land Tribunal (OLT) where the proponent and indirectly new home buyers, are seeking clarity and certainty on whether a development application moves ahead. However, one of the enduring challenges of the OLT hearing process are the extremely long timelines it takes to schedule and conduct hearings as well as the broad criteria in order to be considered a party before the tribunal.

OHBA strongly recommends to the HATF that through the Attorney General, that the OLT be properly resourced and staffed to efficiently and effectively adjudicate matters before it. Adequate staffing and resourcing will provide shorter timelines for decisions and therefore deliver more housing to the market faster.

Additionally, changes to improve early case management and streamlining the requirements to be a party before the OLT will help ensure cases are heard faster and relevant parties have proper representation.

¹ Government of Canada News Release, "Harper Government's Home Renovation Tax Credit a Success: Saved Average Family over \$700; Pumped Billions into the Economy", 2011.



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Enabling a Private Utility Model for Municipal Infrastructure

Many, if not most, municipalities have aging and or insufficient servicing capacity to accommodate projected growth. OHBA therefore strongly recommends the province enable a private utility model, that has been successfully implemented in other jurisdictions, for municipal infrastructure works.

Upgrading capacity takes a very long time and is a significant and overwhelming burden on municipal finances. In many cases the costs of improvements exceeds the borrowing capacity of the municipality requiring the development industry to “front end” these costs. This is problematic since many builders and developers do not have the financial capacity to fund these costs, therefore, projects are delayed. This environment favours large institutional developers over smaller family-based businesses who are essentially unable to participate in the industry due to these front ended costs. The result, more corporate consolidation and less diversity of supply & choice for home buyers.

Municipalities are not able to provide infrastructure as cost effective as companies who are in the sole business of designing, building, financing, operating, maintaining and replacing these infrastructure works. These municipal inefficiencies manifest themselves in the form of exorbitant and ever rapidly increasing development charges.

A 2018 CD Howe brief notes that cities would be better to charge for water and wastewater services based on actual use as is common in electricity and natural gas, instead of through up-front fees. OHBA notes that the current model places the cost of infrastructure designed to last upwards of 75-years, into the embedded cost of the amortization of 25-year mortgages of new home buyers.²

OHBA recommends the implementation of a utility model to provide infrastructure which would be much more cost effective, could be undertaken quickly, relieve a huge municipal cost and staffing burden, and most important, have a significant and positive outcome in supporting and accelerating the provision of housing supply while reducing costs and delivery timeframes.

Ending Exclusionary Zoning Practices and Parking Minimums

A final set of measures OHBA strongly endorses is bold action to end exclusionary municipal zoning practices that prohibit the rapid building of new housing stock.

Right now, exclusionary zoning policies make it virtually impossible to build the “missing middle” types of housing that we need across Ontario to help house the 2.27 million more people who will call Ontario home in 10 years. Walk up apartments, duplexes, triplexes, and quadplexes are a key but entirely absent piece of the puzzle to solving the affordability crisis. Put simply, single family zoning limits the ability to create gentle density with a greater diversity of housing options in neighbourhoods.

A key example of exclusionary zoning requirements can be found in minimum parking requirements. Most municipalities require developers to provide a minimum number of parking spaces per residential unit built – a significant cost that gets passed onto homebuyers (or renters). Providing parking spaces isn’t cheap, especially for mid-rise and high-rise developments. In denser areas, creating an above ground parking structure costs about \$30,000 per space, whereas underground parking costs even more, at up to \$75,000 per space (depending on soil conditions and the water table).

² C.D. HOWE Institute, “Hosing Homebuyers: Why Cities Should Not Pay For Water and Wastewater Infrastructure with Development Charges,” Benjamin Dachis, 2018.



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Requiring minimum parking standards (which often exceed market demand and achievable revenues associated with parking spaces, especially in rental buildings) makes no sense for developments near transit, or in a society that increasingly utilizes “car sharing” apps, or for a province seeking to reduce GHG emissions. The province should prohibit municipalities from requiring minimum parking standards anywhere within 1 kilometer of a higher order transit line or transit station (which add to the cost of housing) – let the market decide! Furthermore, to encourage secondary suites, OHBA recommends the HATF support prohibiting municipalities from requiring additional minimum parking standards for secondary (or even third ancillary) units beyond what is required for the initial unit. The City of Toronto has recently taken the bold step to eliminate minimum parking requirements and we feel now is the time for this common sense policy measure to move ahead.

OHBA therefore calls for bold action to end these exclusionary municipal zoning policies. Other jurisdictions, such as New Zealand, have already taken strong action to end these practices by eliminating single family zoning, removing parking requirements and minimum lot sizes, allowing for 3 storey buildings in all neighbourhoods and 6 storeys along major transit or job corridors. These are the critical types of changes that can show Ontario is prepared to lead on housing affordability in Canada.

Conclusion

Admittedly these recommendations will not fix the problem overnight, however, the need for more housing supply is real. Housing demand is here today and here to stay. There are no simple solutions, nor a silver bullet to complex problems and regulatory barriers that have emerged over the past couple of decades. Not implementing these measures has immense risks. By not taking bold action now, more Ontario families will be without adequate housing options, limiting their economic opportunities. OHBA and our member home builders and renovators across Ontario are ready to be the critical partners in solutions to build the supply and variety of housing options needed to ensure all Ontarians can continue to realize the great Canadian dream of home ownership for years to come.

Best regards,

Bob Schickedanz

President, Ontario Home Builders' Association