



2022 ONTARIO PRE-BUDGET SUBMISSION



Ontario
Home Builders'
Association

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ABOUT OHBA

The Ontario Home Builders' Association (OHBA) is the voice of home construction, land development and professional renovation industry in Ontario representing over 4,000 member companies, organized into a network of 27 local associations across the province.

Our membership consists of a wide spectrum of disciplines involved in land development and residential construction including, builders, developers, professional renovators, trade contractors, manufacturers, consultants, and suppliers.

The residential construction industry creates over 477,000 jobs, pays over \$31 billion in wages and contributes over \$55 billion worth of economic value to our province annually. OHBA members are neighbourhood builders in each corner of our province creating livable, sustainable, efficient, and complete communities.

27 LOCAL ASSOCIATIONS

BILD (GTA)
Brantford HBA
Chatham Kent HBA
Cornwall Construction Association
Durham Region HBA
Greater Dufferin HBA
Greater Ottawa HBA
Grey Bruce HBA
Guelph & District HBA
Haldimand - Norfolk HBA
Haliburton County HBA
Kingston Frontenac HBA
Lanark-Leeds HBA
London HBA
Niagara HBA
North Bay & District HBA
Peterborough & The Kawarthas HBA
Quinte HBA
Sarnia Lambton HBA
Simcoe County HBA
St. Thomas-Elgin HBA
Stratford & Area HBA
Sudbury & District HBA
Thunder Bay HBA
Waterloo Region HBA
West End HBA
Windsor Essex HBA



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DEAR MINISTER BETHLENFALVY,

On behalf of our entire association, we thank you for your work over the past several years to help guide Ontario through challenging and unprecedented times. Further, we appreciate the opportunity to provide input on the 2022 Provincial Budget.

Throughout the COVID-19 pandemic, our province and our industry has rallied together like never before to support each other and ensure we continue to deliver desperately needed housing supply and choice to awaiting Ontario families. Our members recognize that the provincial government continues to take a prudent, cautious, and methodical approach to re-opening the economy. OHBA commends the government on the measures taken so far to ensure worker safety during this challenging time. With new Ministry of Labour, Training and Skills Development guidelines, and increased jobsite inspections, OHBA members know this is not “business as usual” and are committed to enhanced health, safety, and sanitation protocols on job sites to protect workers, contractors, homebuyers, and their families.

As we approach the spring of 2022, our industry stands poised and ready to construct the housing supply and choice needed in communities big and small, recognizing our economic recovery is dependant on access to attainable housing options. This isn't the first time our industry has done this. In fact, following the 2007-2008 economic recession, the residential construction sector played a key role in helping our province rebound economically, by delivering new housing supply, and completing transformative renovations, thereby spurring economic activity, and creating jobs across Ontario. Once again, we are ready and able to help Ontario rebound from the economic disruption caused by the COVID-19 pandemic.

If implemented, our 2022 pre-budget submission recommendations will help kickstart economic growth, create rewarding jobs, and most importantly accelerate the rate and supply of new housing options for Ontario families. We anticipate you will give these proposals careful consideration as they aim to not only support the home and renovation sector, but also stimulate a post-pandemic economic recovery.

Minister, we thank you, Premier Ford, and your government colleagues for your leadership, focus, and commitment towards Ontario's economic recovery. We know that a collaborative approach between our members and the provincial government is essential to keep job sites safe and healthy, while delivering much needed housing supply, spurring economic growth, and creating good jobs so we can continue the important work of building Ontario now and for future generations.

Sincerely,

Bob Schickedanz

A handwritten signature in blue ink, appearing to read 'Bob Schickedanz', with a stylized flourish at the end.

President
Ontario Home Builders' Association

BABY NEEDS A NEW HOME: WHY ONTARIO NEEDS ONE MILLION HOMES IN THE NEXT

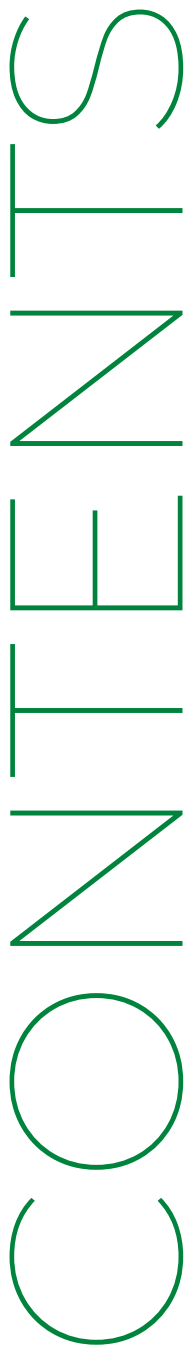
In late 2021, a critical new population and housing needs report was released entitled **Baby Needs a New Home: Projecting Ontario's Growing Number of Families and their Housing Needs**. This report explored the population and demographic trends across Ontario.

FACT: Based on the Ontario Ministry of Finance's population growth projections of 2.27 million more people over the next ten years, our province will need to build at least one million new homes to keep up with population growth, the formation of young families, and to address current and future housing supply shortages.

FACT: In the 12 months between July 2019 and July 2020, 60,000 people, on net, left the City of Toronto and Peel Region for other parts of the province. These were primarily made of children under the age of 5 and their parents, who, have been priced out of major cities, are moving further from their existing careers and community in the search for attainable family-friendly housing that meets their needs in communities across Southern Ontario.

What is at stake: If Ontario ensures that housing supply matches with projected housing demand, the provincial economy and Ontarians will benefit enormously as quality of life improves and housing becomes more available, attainable, and sustainable. Dramatically increasing housing supply will make it more attainable for families to find a home in a community they want to be in, where they can live, work, and play. Failure to act will result in ever increasing housing prices with more families unable to attain the great Canadian dream of home ownership. Failure to act will also restrict Ontario's competitiveness and our ability to attract a skilled and educated workforce needed to grow our economy.

The bottom line is this: We need to build at least one million homes over the next ten years to provide attainable housing options for our growing population. The following proposals in our pre-budget submission will help our sector dramatically accelerate the delivery and supply of housing choices in communities big and small across Ontario. Our members, in partnership with the provincial government, are ready and able to build the housing supply required to ensure Ontario can meet the needs of all those who want to call our province home.



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HOME RENOVATION TAX CREDIT

An essential element of fuelling Ontario's economic recovery is to support renovation investment through a flexible consumer-focused tax rebate. The Seniors' Home Safety Tax Credit from the Fall 2020 budget was strongly endorsed by our industry and Ontarians who want to invest in their homes. OHBA was pleased to see this program continued as part of the 2021 Fall Economic Statement and we firmly believe now is the time to expand this program into a fulsome Home Renovation Tax Credit. Doing so will help more Ontario families unlock the potential in their home, drive local economic investment, and most importantly, provide for more housing supply.

We know that a Home Renovation Tax Credit has immense public appeal. Immediately following the 2007/2008 financial crisis, a federal Home Renovation Tax Credit (HRTC) was a key component of the federal government's Economic Action Plan. The HRTC proved to be very successful with over 3 million Canadians participating in the one-year HRTC. In fact, the Canadian Revenue Agency noted in 2011 that the 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 highlights that housing champions everywhere who want to renovate their homes are very receptive to action by government to reduce the tax burden.

The federal HRTC also provided another important benefit. By requiring homeowners to produce receipts to validate their HRTC claims, the federal government dealt a major setback to underground contractors working for cash. Consumers utilizing the HRTC required proper documentation when hiring a renovator, placing cash operators at a significant disadvantage while legitimate tax-paying contractors gained business that would otherwise have been lost to the underground economy. Ultimately, a HRTC would provide a powerful and effective tool for combating the underground economy and protecting the integrity of Ontario's tax system.

We also know that the benefits of the residential renovation industry are spread out across the province and driving investments into local economies. Fundamentally a HRTC would have a number of important benefits including,

[1] Harper Government's Home Renovation Tax Credit a Success: Saved Average Family over \$700; Pumped Billions into the Economy, Canadian Revenue Agency, January 25, 2011.

- Combating the underground economy to better level the playing field between legitimate business and underground cash operators;
- Helping address climate change by improving energy efficiency and reducing greenhouse gas emissions from Ontario's existing housing stock;
- Improving health and safety for construction workers as those employed in "underground" renovation projects may not be properly equipped to complete their tasks, nor have proper training or WSIB coverage;
- Improving opportunities for apprentices to find meaningful employment with legitimate employers offering professional development and education to close the skilled trade gap;
- Reducing homeowner liability and risk by utilizing legitimate businesses with appropriate credentials, certifications, and permits;
- Ensuring renovations have appropriate permits, inspections, and are built to the standard of the Ontario Building Code;
- Provide an effective and positive contribution towards housing affordability and supply by enabling homeowners to build secondary suites therefore generating additional income to pay towards the cost of the home;
 - Furthermore, second suites will provide a boost to the number of rental units, particularly in neighbourhoods that have a significant shortfall of rental housing. This positive impact will help those just starting out at the beginning of the housing continuum;
- Making homes adaptable to post-pandemic housing needs, such as requiring a place to work from home;
- Supporting renovations that enable multi-generational homes to look after their loved ones who require care. This alone will reduce the burden and costs on our health care system and more importantly the stress on Ontario's long term care system.

A HRTC is fundamentally a flexible policy option that can be tailored to address the underlying affordability crisis that Ontario is facing while providing for a multitude of additional economic, social, and environmental benefits to communities across the province. **Therefore, now is the time for the province to implement a fulsome Home Renovation Tax Credit.**

MODERNIZING THE HST THRESHOLD FOR NEW HOUSING

Following the financial crisis of 2007/2008, the housing sector led both Ontario and Canada out of the recession. In fact, investment in the new housing sector contributed towards hundreds of thousands of new jobs, not just in a few specific urban centres, but in communities' right across the province, in professions as diverse as the skilled trades, engineering, finance, planning, and architecture. To further stimulate Ontario's recovery and help kick start our economic rebound, as part of the 2022 Provincial Budget, the provincial government should reduce the tax burden on new homebuyers in an effort to make housing more affordable for Ontarians and help generate more rewarding careers in residential construction and our respective supply chains.

Ontario's HST came into effect on July 1, 2010 resulting in a significant net tax increase on new housing. At the time, a fixed rebate of 6 percentage points of the 8% provincial portion of the tax was provided for new homes up to a threshold value of \$400,000 (providing a rebate up to \$24k per home). This threshold has remained at \$400,000 for the last decade despite significant increases in housing prices.

To reduce the tax burden on new homebuyers, the provincial government should immediately increase the HST threshold for new housing to \$600,000, which would increase the new housing rebate by \$12k to \$36k per home for any new home sold at \$600,000 or more. This change would make an immediate positive impact on improving affordability and kick-starting Ontario's economic recovery. Furthermore, this would increase access to new housing for individuals and families across Ontario, by reducing the tax burden on both new ownership and purpose-built rental housing while making new housing more competitive with resale, which is not subject to HST. As a short-term post pandemic stimulus measure, the provincial government should also consider temporarily removing the provincial share of the HST on new housing.

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% was also embedded in these purchases, due to the taxation of building materials. According to a report by the Altus Group in November 2017, had the HST not been implemented, and the prior PST regime was still in place, the tax burden on homeowners would have been \$3.4 billion lower between 2010 and 2016.[2]

The provincial government has made increasing housing supply and choice a priority through the Housing Supply Action Plan and the More Homes, More Choice Act, 2019. An increase to the new housing HST threshold, established a decade ago, will make housing more affordable and attainable for the vast majority of new home buyers across Ontario. OHBA therefore strongly recommends that as part of the economic recovery plan for COVID-19, the provincial government increase the HST Threshold from \$400,000 to \$600,000 and going forward be indexed to reflect annual average increases in the price of housing. This option to support new home buyers is a bold measure that the provincial government can implement immediately to increase housing affordability and stimulate economic growth.

[2] Ontario's HST New Housing Rebate: A Review and Analysis of the Rebate Threshold, Altus Group, Page 5, November 2017.

PAY-ON-DEMAND SURETY BONDS AS A FINANCIAL SECURITY ALTERNATIVE FOR MUNICIPALITIES

When approving a development proposal, such as a subdivision or site plan, municipalities seek assurance that the necessary site improvements will be constructed in a timely manner as designed and approved. Currently, it is common practice for most municipalities to require a Letter of Credit (LOC) from a chartered bank as the only acceptable form of financial security for these works.

Builders, therefore, must have the necessary credit capacity or are required to collateralize a LOC, dollar for dollar against the value of the municipal works, and as a result every LOC directly reduces the financing capacity a builder has available to finance potential projects. If a LOC on one project occupies all the credit capacity of a builder then other projects in a builder's portfolio are delayed until the LOC is cleared or new financing is secured.

Put bluntly, many builders can only afford to finance one or two housing projects at a time because of these restrictive LOC requirements. There is however an alternative, Pay-on-Demand Surety Bonds (PODSB) which can be tailored to provide municipalities with the identical financial security as a LOC to facilitate infrastructure construction, including timely compensation if required, while not restricting the builder's credit capacity and enabling the construction of additional housing projects. A PODSB gives the municipality the protection they need to guarantee the installation, performance and warrantee period of municipal services without restricting the financial capacity of a builder to bring additional projects and housing supply forward at the same time. This measure has the ability to dramatically accelerate the delivery of new housing supply to market and get more keys into the hands of awaiting families.

It is also important to note this is a policy initiative which has no cost or impact on either provincial or municipal treasuries. **OHBA therefore proposes that the provincial government require municipalities to accept PODSB as an acceptable alternative financial tool to secure the obligations in municipal agreements.**

INFRASTRUCTURE AND TRANSPORTATION STIMULUS

As part of a sustainable economic recovery plan, the province needs to accelerate major infrastructure projects. OHBA supports coordinated infrastructure investment towards strategic projects based on clearly defined priorities. These targeted stimulus investments should support other provincial objectives such as the efficient movement of goods and people. OHBA believes the expansion of “core” infrastructure (roads, transit, water, and wastewater) in support of delivering much-needed housing supply to a growing population should be a key priority for the province. The provincial government should continue to advance shovel ready and “shovel worthy” core infrastructure projects to be jointly funded with the federal government.

Equally important is long-term asset management planning through the ongoing maintenance of Ontario’s existing infrastructure. OHBA is encouraged by the significant investments in transportation-related infrastructure that the provincial government has already committed to. The government should be leaving no stone unturned as to how these priority projects can be accelerated into the construction phase, post COVID-19. Now is the opportunity to secure provincial and federal funding to rapidly advance current and future projects that will create jobs immediately and support long-term economic prosperity for the 2.27 million more people who will call Ontario home by 2031.

Furthermore, the new housing and land development industry is a key partner with the province in creating transit-oriented communities that will support provincial transportation plans and investments over the long term. There are numerous opportunities for partnerships and joint investments in mixed use developments as part of new or upgraded transit stations. OHBA members look forward to seeing shovels in the ground for priority projects as soon as possible. **Therefore the provincial government should continue to work with supportive stakeholders (including OHBA) to aggressively advocate for federal infrastructure stimulus support for provincial priorities.**

INCREASING STAFFING & RESOURCING OF THE ONTARIO LAND TRIBUNAL

New home buyers rely on certainty that they are able to move into their new home on-time and on-budget. However, this certainty is often upset by challenges placed by municipalities and 3rd parties who utilize Not-in-My Backyard (NIMBY) tactics to push new home construction to the Ontario Land Tribunal (OLT). OHBA strongly welcomed the recent changes to Ontario's tribunal system completed through the Accelerating Access to Justice Act, 2021 which has generated steady improvements. We now call on the provincial government to go further in staffing and resourcing the now singular tribunal.

In many cases, development applications end up being appealed to the OLT where the proponent, and indirectly new home buyers, are seeking clarity and certainty on whether a development application moves ahead. This means families are held in limbo in an increasingly challenging real estate market, unsure whether their new home will be built. This leads to the enduring challenge of the OLT hearing process which includes the extremely long timelines it takes to schedule and conduct hearings and "loose" rules around who may be a party to the proceedings.

OHBA strongly recommends that the 2022 provincial budget allocate additional funding for the OLT to be better resourced and staffed in order to efficiently and effectively adjudicate matters before it. Adequate staffing and resourcing will provide shorter timelines for decisions enabling our members to deliver housing to the market faster. Additionally, changes to improve early case management and streamlining the eligibility requirements for parties before the OLT will help ensure cases are heard faster and relevant parties have proper representation. Collectively, these improvements will highlight that the provincial government is committed to a tribunal system that is decisive and provides the necessary clarity to support additional housing supply.

ADOPTING A UTILITIES MODEL FOR WATER AND WASTEWATER INFRASTRUCTURE

Arguably, the single largest component of a development charge in most municipalities is for water, and wastewater construction. As part 2022 Provincial Budget, the province should implement a utilities model used in other jurisdictions for the design, financing, building, operation, and maintenance of critical water and wastewater infrastructure. Such a shift to a utilities model for the delivery of water and wastewater services could remove or drastically reduce the cost of infrastructure built from the current development charges on a new home or condominium.

A 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[3]. 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. **The provincial government should work with municipalities to implement a region-wide system (similar to EPCOR in Alberta) that can take advantage of the scale economies and efficiencies available in the sector.**

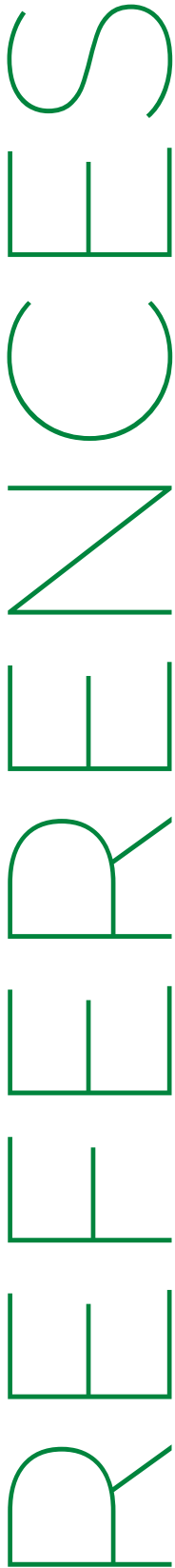
[3] Hosing Homebuyers: Why Cities Should Not Pay for Water and Wastewater Infrastructure with Development Charges, C.D Howe Institute, August 2018.

ON S U L C N C O

Minister, the COVID-19 pandemic has demonstrated how our province can pull together, and now as we move towards a cautious reopening, we are set to rebuild Ontario as the economic engine of Canada.

At a time when housing options and affordability are top of mind for thousands of Ontario families and individuals, our sector is poised to build the supply we require. Our OHBA members are committed to constructing the new housing supply our province so desperately needs, particularly in a time in which the great Canadian dream of homeownership is becoming more and more difficult and out of reach for everyday Ontario families.

Bold action as part of the 2022 Provincial Budget will help enable our member home builders and renovators across the province to build the supply and variety of housing options needed to ensure all Ontarians can continue to attain the great Canadian dream of home ownership for years to come.



Baby Needs a New Home: Projecting Ontario's Growing Number of Families and their Housing Needs.
Dr. Mike Moffatt. Smart Prosperity Institute. October 2021.

Harper Government's Home Renovation Tax Credit a Success: Saved Average Family over \$700; Pumped Billions into the Economy.
Canadian Revenue Agency. January 25, 2011.

Hosing Homebuyers: Why Cities Should Not Pay for Water and Wastewater Infrastructure with Development Charges.
Benjamin Dachis. C.D Howe Institute. August 2018.

Ontario's HST New Housing Rebate: A Review and Analysis of the Rebate Threshold. Altus Group.
November 2017.

For more information on these proposals please contact:

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