



Ontario
Home Builders'
Association

FEBRUARY 2023

2023 Ontario Pre-Budget Submission



Ontario Home Builders' Association
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North York, ON, M3B 2V9

ABOUT OHBA

The Ontario Home Builders' Association (OHBA) is the voice of the residential construction industry in Ontario. OHBA represents over 4,000 members, including builders, developers, professional renovators, trade contractors and many others within the residential construction sector.

Most importantly, OHBA members are the community builders needed to construct the 1.5 million new homes needed over the next decade to improve attainability and restore the dream of home ownership in Ontario.

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 554,000 rewarding careers, pays over \$37 billion in wages and contributes over \$76 billion worth of economic value to our province on an annual basis.

OHBA members are neighbourhood builders in each corner of our province, creating livable, sustainable, efficient, and complete communities. 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.



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 Kawarths 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

DEAR MINISTER BETHLENFALVY,

On behalf of our entire association, we thank you, Premier Ford and your government for your continuous 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 2023 provincial budget and propose ideas that will help Ontario reach its housing supply and variety goals. Constructing the 1.5 million homes we need over the next ten years is a critical objective that we must meet to restore attainability for everyday Ontarians.

As we approach the spring of 2023, our industry stands poised and ready to construct the housing supply and choice needed in communities big and small. 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 good jobs across Ontario. Once again, we are ready and able to help build our way out of the housing supply deficit.

If implemented, our 2023 provincial budget recommendations will help kickstart economic growth, create rewarding jobs, and, most importantly, accelerate the supply of new housing options for Ontario families. We are confident you will give these proposals careful consideration as they aim to not only support the home and renovation sectors, but most importantly, provide more housing options for Ontarians pursuing a place where they can live, work and raise a family.

We know that a collaborative approach is essential to delivering much-needed housing supply, spur economic growth, and create rewarding careers so we can continue the important work of building Ontario now and for future generations.

Sincerely,
Louie Zagordo



President
Ontario Home Builders' Association

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POLICIES TO EMPOWER ONTARIO HOMEBUYERS

Experts, the industry, and governments all agree that Ontario's current housing crisis is firmly rooted in insufficient housing supply. The provincial government has committed to implementing the recommendations of the Housing Affordability Task Force (HATF) to enable the construction of 1.5 million homes over the next decade. This would be approximately double the current rate of housing starts in the province.

To help reach this objective, OHBA, has developed the following recommendations for the 2023 Provincial Budget. These recommendations include several policy options which would have significant and meaningful impact on restoring attainability over the long term and providing more housing for Ontarians.

ELIMINATING THE PROVINCIAL PORTION OF HST ON NEW HOUSING

As part of the 2023 Provincial Budget, the provincial government should reduce the tax burden on new homebuyers 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% of the 8% provincial portion of the tax was provided for new homes up to a threshold value of \$400,000 (providing a rebate of up to \$24k per home). This threshold has remained at \$400,000 for the last decade despite significant increases in housing prices.

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.[1]

OHBA, therefore strongly recommends that the province take the bold step to eliminate the provincial portion of the HST on new housing entirely and offset that shift in revenue with a flat tax on all home sales in Ontario (both new and resale). This option to support new home buyers is a courageous measure that the provincial government can implement immediately to increase housing attainability and stimulate economic growth. This change would have a positive impact on improving affordability and strengthening Ontario's economy.

Furthermore, this change would improve access to new housing for individuals and families across Ontario, by increasing the competitiveness between new and resale homes, with a net increase in options for all home buyers.

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

REDUCING NEW NEIGHBOUR TAXES

Restoring long-term attainability to housing in Ontario is a key concern of government, home builders and, of course, new home buyers. OHBA has welcomed and supported the government's changes to, directly and indirectly, reduce the cost of new housing for families and individuals by streamlining municipal processes and declaring housing a provincially significant priority. At the same time, the provincial treasury has greatly benefited from the housing market across the province as rising prices and high sales volumes have brought in millions of dollars in additional Land Transfer Tax revenues. While the long-term solution to the housing crisis remains a dramatic increase in new housing supply coming online, there are also financial and taxation policy options available to the provincial government to reduce the costs to new homebuyers.

Since January 1, 2017, no land transfer tax would be payable by qualifying first-time purchasers on the first \$368,000 of the value of the consideration for eligible homes. First-time purchasers of homes greater than \$368,000 receive a maximum refund of \$4,000. While this change was important on its introduction, housing costs have significantly increased since 2017.

In order to ensure that the Land Transfer Tax rebate remains an effective incentive for First Time Home Buyers, the OHBA strongly suggests the provincial government increase the maximum rebate from \$4,000 to \$10,000 dollars for qualifying buyers. This would provide immediate relief to those looking to enter the housing market for the first time. Furthermore, OHBA suggests that the Housing Affordability Task Force Implementation Team continue to work with the Ministry of Finance to review the Land Transfer Tax and all government imposed fees on new housing to better identify where changes can be made to increase housing attainability in Ontario.

HOME RENOVATION TAX CREDIT

Home renovations are a key component of Ontario's residential construction sector and the province's economy. Professional renovations span a wide variety of focuses from adding secondary suites to energy efficiency retrofitting, benefiting both consumers and the local community. The renovation sector also pays dividends to Ontario's economy, employing upwards of 333,000 people, paying over \$22 billion in wages and generating more than \$42 billion in direct economic investment across the province.

Immediately following the 2008/09 financial crisis, the 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, a Canada Revenue Agency (CRA) press release from 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"[2]. The CRA economic summary clearly shows that Ontarians needing renovation services welcome action by the government to reduce the tax burden on home renovations.

The federal HRTC also provided another important benefit. By requiring homeowners to have receipts to back up their HRTC claims, the federal government dealt a major setback to underground "cash" operators. Consumers intending to take advantage of the HRTC required proper documentation when they hired a renovator, placing cash operators at a significant disadvantage. This also resulted in increased government revenues as legitimate tax-paying contractors gained business that would otherwise have been lost to tax-evaders.

The provincial government has made prudent investments into the renovation sector that have helped more Ontarians live in their homes longer. The Seniors' Home Safety Tax Credit for the 2021 and 2022 tax years was welcomed by Ontario seniors, as the tax credit helped make it easier to age in place in their own home. The tax credit was also a key factor for our home renovation members who help make these transformative renovations possible.

HOME RENOVATION TAX CREDIT

That is why we are calling on the provincial government to build on the Seniors' Home Safety Tax Credit, through implementing a Home Renovation Tax Credit modeled after the previous federal program and the one currently in place in Saskatchewan. This tax credit could be further targeted towards incentivizing the construction of secondary suites as the new federal multi generational home renovation credit is. This bold step to increase liveability, add gentle density and provide more housing options for Ontarians is an important step that the provincial government can take in the 2023 budget.

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

ENSURING LOCAL HOUSING ACCOUNTABILITY

Given the accumulation of significant fiscal reserves at the municipal and regional levels of government, it is in the interest of the public and new home buyers to ensure that there is transparency and accountability around the collection of growth funding charges and that funds collected are used for their intended purpose. Municipalities have been vocal on the purported impact on municipal finances of capping, freezing and discounting certain development fees. An independent analysis conducted for the OHBA demonstrates that municipalities are overstating the impact and that there is overlap, particularly in the development charges and incentives for affordable housing.[3]

Taking into account the totality of their reserves and the grants they have received, major municipalities in Ontario, and Toronto in particular, are well positioned to accommodate the changes. For example, in 2021, the City of Toronto generated more than \$15 billion in revenues, of which less than one-third was from the property tax base.[4] It received \$4.4 billion in provincial and federal grants and held a tax rate stabilization reserve of \$1.12 billion (up from \$66.8 million in 2018), a development charge reserve of \$2.2 billion (up from \$1.15 billion in 2018) and parkland cash-in-lieu/Section 37 reserve of \$1.2 billion (up from \$912 million in 2018).[5]

It has become increasingly apparent how government-imposed charges, fees and taxes at the municipal level have eroded housing attainability in communities big and small. OHBA therefore supports the Ontario government auditing of municipal development charges by-laws and background studies to confirm compliance with the Development Charges Act and implement changes to ensure that development charges are only collected for and spent on growth-related infrastructure.

[3] Altus, Commentary on Bill 23 and Associated Impacts on Municipal Finances, November 2022.

[4] Ibid.

[5] Ibid.

CONCLUSION

Minister, we thank you for giving our proposals due consideration. These measures are significant steps that will have an important and immediate impact on housing attainability. Combined, these changes can put the dream of home ownership back within reach so that more Ontarians can find a place to live, work and raise a family.

For more information on these proposals, please contact:

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