

SUBMISSION TO THE MINISTER OF FINANCE

JANUARY 2013



PRE-BUDGET
CONSULTATION
PROCESS

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



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Home Builders'
Association

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



67,821 Housing Starts Housing starts in Ontario increased by 12% in 2011 over the 60,433 housing starts recorded in 2010. Activity is anticipated to soften in 2012 with a forecast 63,450 housing starts. Each new home built in Ontario is not only a roof over a family, but it provides thousands of jobs and generates significant dollars in taxes, fees and levies for all three levels of government.

325,800 Jobs The new housing and renovation sector is a significant employer in Ontario. Residential construction includes a broad range of high quality jobs from skilled trades to planners, engineers, architects, economists and lawyers.

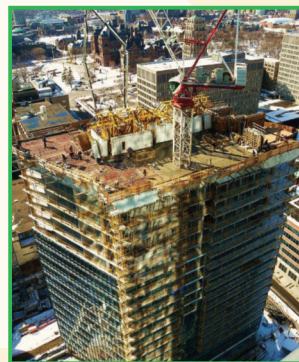
\$42 billion In 2011 the value of new housing, residential renovations and impacts of other expenditures related to residential construction in Ontario totalled \$42 billion.

\$17.1 billion in Wages The average weekly wage in Ontario's construction sector is \$1,016. This compares to a \$1,002 average in all industries. The average construction wage is 1% higher than the overall industry wage for full-time employment in Ontario.

\$3.17 billion Total income taxes for the federal and provincial governments generated from Ontario housing starts, renovations and other related expenditures.

\$2.68 billion Total GST revenue generated from Ontario housing starts, renovations and other related expenditures.

\$3.38 billion Total provincial share of HST revenue generated from Ontario housing starts, renovations and other related expenditures. The harmonized sales tax significantly increased provincial sales tax revenue on new homes and renovations when it was implemented on July 1, 2010.



\$1.45 billion Total CPP Premiums generated from Ontario housing starts, renovations and other related expenditures.

\$610 million Total EI Premiums generated from Ontario housing starts, renovations and other related expenditures.

\$149 million Estimated total WSIB premiums billed to the Home Builder rate group in Ontario.

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EXECUTIVE SUMMARY

The Ontario Home Builders' Association is pleased to have the opportunity to present its view of government policy and the 2013 provincial budget. The upcoming provincial budget is especially critical as the government manages to bring down the deficit. The home building, development and renovation industries have a critical role as a partner to the broader public sector in efforts to continue to support job creation and economic growth that will assist to reduce the deficit.

In the past year the market has continued to experience divergent trends with elevated levels of high-rise activity in the GTA and general weakness in many areas throughout the rest of the province. The record levels of condo sales in 2011 translated into strong levels of construction activity this year and while condo sales have dipped significantly from last year's all time record, they remain strong and above the historical 10-year average. Continued global economic volatility and uncertainty remains a significant drain on consumer confidence and a concern for the residential construction industry. Unlike the United States where fundamental structural problems and a looming debt ceiling dampen growth prospects, the Ontario housing market has remained a strong driver of growth and job creation.

Housing starts for 2012 are forecast by CMHC to be approximately 77,600 – a healthy increase from the reported 67,821 housing starts the previous year. The strong performance of the new housing industry in 2012 comes in well ahead of initial CMHC forecasts and the 2012 Ontario Provincial Budget forecast of 64,000 starts. This means the new housing and development industries exceeded provincial expectations for jobs, taxation revenue and economic impacts. The over 325,000 jobs and \$42 billion in economic impacts generated through residential construction are a stabilizing force for the Province of Ontario. Therefore it is absolutely critical that all levels of government work with the industry to reduce barriers to growth and lay the foundation for a sustainable long-term recovery.

The next couple of years are forecast to have slower levels of residential construction activity with downside risks. The regulatory burden on new housing has increased in the past few years in combination with higher levels of taxes, fees and charges – especially development charges, which hurts housing affordability. OHBA is concerned the combination of increasing taxes, fees, charges and regulations and the fragile economy will weigh heavily on residential construction activity. The Bank of Canada noted that the **adverse impact of elevated housing prices on affordability has been largely offset by low interest rates**. Furthermore, the Bank of Canada has raised concerns that affordability would be considerably curtailed if interest rates were closer to historical norms.

The residential construction industry is concerned about a number of provincial initiatives that may dampen the economic performance of the industry. Upcoming building code changes next year, mandatory WSIB coverage for independent operators, increasing development charges, a slow approvals process constraining land supply, ongoing issues with the implementation of the Endangered Species Act, proposals to update the Provincial Policy



Statement and the College of Trades are a few initiatives that will negatively influence housing affordability and choice. The combined cost impacts of these numerous increased regulatory standards and fees could eliminate thousands of would-be homeowners from the housing market. **A 2010 study of 21 Canadian municipalities by CMHC indicates that new home buyers in Ontario are among the most heavily taxed in Canada.** Given the fragile state of the economic recovery, the province would be well advised to exercise caution when considering public policy that would negatively impact housing affordability.

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

Over the long-term OHBA believes the HST threshold for the rebate (currently \$400,000) is too low for most modest income new home buyers and should be reviewed on a regular basis to reflect inevitable inflationary increases in average new home prices. This would substantially improve housing affordability for the middle class new home buyer.

The residential renovation sector accounts for some \$25 billion in investment activity in Ontario and supports over 200,000 jobs in the province. The introduction of the HST exacerbated the existing underground economy problem that is rampant in this sector, presenting a myriad of problems including significant losses in tax revenues and increased risk to consumers. Prior to July 1, 2010 renovators applied only 5% GST to contracts, but now must apply 13% HST. **OHBA is supportive of the Healthy Homes Renovation Tax Credit** to allow seniors to improve accessibility and to 'age-in-place'. Furthermore, the collection of receipts will support legitimate business and assist to combat underground economic activity. OHBA has recommended that both the provincial and federal governments implement a more broad-based permanent tax credit to encourage consumers to utilize legitimate contractors and to create a paper trail to limit underground economic activity.

Lastly, OHBA is supportive of efforts to reduce the provincial deficit and understands difficult choices must be made in the months ahead. OHBA cautions that core infrastructure funding for roads, transit, water and waste-water facilities are key building blocks to ensure that the province remains economically competitive. OHBA recognizes that as the province shifts to a period of budget austerity that total allocations towards infrastructure may decline. Therefore, it is critical the budget and the 10-year capital infrastructure plan focus on targeted core infrastructure investments in support of economic growth as priority investments.



1. INTRODUCTION

1.1 About OHBA

The Ontario Home Builders' Association is the voice of the residential construction industry in Ontario. OHBA represents 4,000 member companies, organized through 30 local associations across the province. Our membership is made up of all disciplines involved in residential construction including builders, land developers, renovators, trade contractors, manufacturers, suppliers, mortgage lenders, planners, architects, engineers and lawyers. The residential construction industry employed over 325,000 people and contributed over \$42 billion to the province's economy in 2011. From furniture and appliance manufacturers to moving companies and paint stores, the new home construction and renovation industries indirectly contribute to the economic well-being of numerous related businesses and professions.

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



2. KEY RECOMMENDATIONS

2.1 Overall Fiscal Policy

OHBA is very concerned by the size of the provincial deficit and elevated unemployment rate. OHBA recognizes that broader economic factors beyond the provincial government's control have led declining revenues making deficit spending a necessity over the short-term. However, the economic health of the province remains of the utmost importance to the public, industry and for future generations. OHBA recommends the province clearly identify priorities and make smart regulatory decisions in other areas of government policy and programs to substantially reduce the deficit. OHBA recommends the province identify opportunities to reduce regulatory barriers to economic development while also reducing staff overhead currently required by our regulatory framework. OHBA recommends the province continue to support job creation through strategic investments in strategic core infrastructure to support long-term economic growth and productivity.

2.2 Underground Economy and Residential Renovations

Sales tax avoidance is the primary reason consumers often prefer to pay cash. These 'cash deals' also cause the treasury to lose out on a myriad of other revenues including income and corporate taxes and cause other problems including building code compliance deficiencies, undermining consumer protection measures and creating potential health and safety risks. Prior to the implementation of the harmonized sales tax, the underground economy was estimated by the Altus Group to represent some 37% of the total output of residential renovation contractors in Ontario. The introduction of the HST increased the sales tax burden from 5% to 13% and exacerbated the problem of cash deals to avoid sales taxes.

OHBA is very supportive of the Healthy Homes Renovation Tax Credit as a step in the right direction to curb underground activity (while supporting other public policy objectives). Beyond this policy, OHBA recommends a broad-based permanent Home Renovation Tax Credit for contractor renovations at both the provincial and federal level which would strongly encourage consumers to use legitimate contractors and create a paper trail to deter underground activity while stimulating the economy. OHBA notes that the federal Home Renovation Tax Credit (HRTC) was a tremendous success and that a Canada Revenue Agency (CRA) press release on January 25, 2011 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."

OHBA recommends that the province set up an Underground Economy Task Force with a focus on the construction sector. The Parliamentary Assistant to the Minister of Labour was tasked in 2012 with identifying opportunities to reduce underground economic activity. While OHBA appreciates the consulting work completed on the underground economy and undocumented workers, a more robust process is required. A multi-ministry task force should consult with stakeholders, examine mitigation methods in other jurisdictions as well as provide public policy and taxation recommendations to the government with an objective to curb underground economic activity.

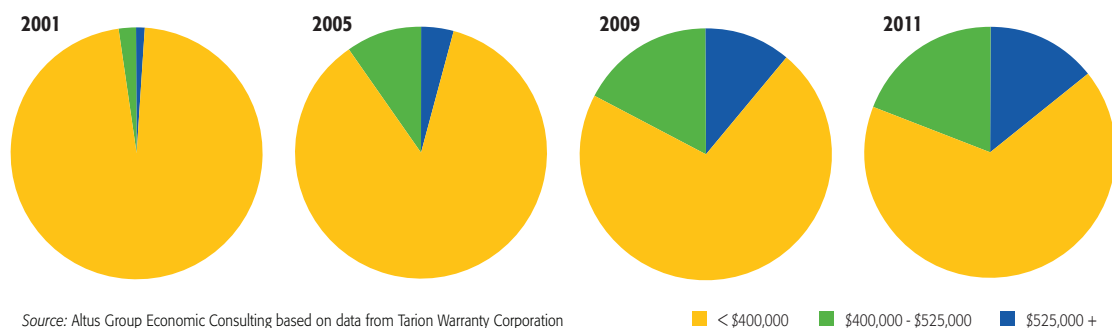


2.3 Harmonization and New Housing

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

In light of this issue, the threshold should be reviewed on a regular basis. This would substantially improve housing affordability for the middle class new home buyer. Furthermore, as we have seen with the establishment of the GST threshold in 1991, it is recommended that the federal government follow the leadership example set by the Government of Ontario and eliminate the dual threshold regressive tax structure of the GST rebate and adopt a progressive single threshold for the GST.

DISTRIBUTION OF NEW HOUSING UNITS BY PRICE RANGE, ONTARIO



2.4 Infrastructure / Transportation

The residential construction industry is supportive of the significant infrastructure investments the province made over last the few years. These investments have supported job creation during the economic downturn. OHBA recognizes that the province is shifting towards deficit reduction and recommends that the province continue to make targeted 'core' infrastructure investments in transportation, water and waste-water infrastructure that supports provincial growth plans, economic development and job creation.

The industry strongly supports well-coordinated and planned provincial contributions to strategic infrastructure projects based on clearly defined priorities. OHBA believes the expansion of 'core' infrastructure in support of a growing economy and growing population should be a key priority for the provincial government. Equally important is long-term asset management by ensuring the ongoing maintenance and state of good repair for Ontario's existing infrastructure. Housing affordability and choice must be recognized and measured as one of the priority outcomes of public infrastructure investment. The provincial government should view infrastructure not as a costly expense, but as an investment. Infrastructure is the key to enhancing productivity with the goals of: improving our quality of life, and the competitiveness of Ontario in a global economy.



2.5 Taxes, Charges and Fees

Home builders are concerned that escalating taxes, charges and fees across Ontario are having a severe impact on housing affordability and choice. Municipalities are increasingly relying on contributions from the new housing sector through development charges and other taxes and fees rather than making politically unpopular decisions to set property taxes at appropriate levels. The sizable increases of development charges over the past few years are particularly troubling and completely disregard the fact that the provincial economy is fragile and that new housing consumers are not in a position to continue to absorb significant tax increases. Substantial increases in taxation are especially problematic considering that the residential construction industry has been a driving force supporting jobs during the economic downturn.

OHBA applauds the steps taken in the Provincial Municipal Fiscal and Service Delivery Review to relieve financial pressure on municipalities by phasing in a social services upload. Furthermore, gas tax contributions from both the provincial and federal governments have relieved fiscal pressure on municipal capital infrastructure budgets. As the social services upload is completed and gas tax funds continue to be transferred, municipalities should have greater fiscal capacity to make investments in core infrastructure. OHBA continues to support the government's commitment to maintain the current *Development Charges Act* and to continue with the scheduled uploading plan despite the provincial deficit.

2.6 Supporting Northern Economic Development

Amending the Ontario Building Code to allow for six-storey wood structures would provide more design and affordable cost options for developers while also supporting Ontario's forestry sector. Six-storey wood structures will facilitate more mid-rise buildings, which provides for more intensive uses within existing neighbourhoods, at a scale that contributes to transit-supportive, pedestrian-oriented mixed-use communities. This proposal supports the implementation of the Growth Plan for the Greater Golden Horseshoe which contains policies to build compact, complete communities including intensification policies in built-up areas. **OHBA strongly recommends** that the provincial government study this opportunity to amend the Ontario Building Code to support Northern Ontario's sector while providing more affordable mid-rise housing options.



3. STATE OF THE HOUSING MARKET IN 2012

3.1 Overview – Tale of Two Markets

In 2012, Ontario's housing market experienced a strong rebound from the past few years; however, activity is anticipated to moderate in 2013. CMHC is forecasting 77,600 housing starts in 2012 and 65,000 housing starts in 2013. The new housing market in Ontario is defined by a buoyant high-rise condo sector in the GTA and a weaker provincial ground-related housing sector as a result of regulatory barriers constraining future land supply as well as waning consumer confidence due to broader economic conditions.

The GTA high-rise condominium market continues to advance at a strong pace and is attracting purchasers due to the stability of the Canadian financial sector, low-rental condo vacancy rates and a strong real estate market. Despite high volumes of sales activity over the past couple of years, CMHC has reported a decline in the vacancy rate in Toronto for condos being rented, this suggests there will continue to be demand for new condo units in 2013. The broader housing market across the province offers a stark contrast in terms of activity and outlook. Furthermore, a lengthy and restrictive planning process is causing land supply restrictions that are impeding housing options in a number of Ontario jurisdictions.

Broader economic concerns and a stagnant jobs market are curtailing consumer confidence and ultimately demand for new housing in many Ontario communities. Ontarians without a job, or who are concerned about job security, are highly unlikely to consider purchasing or renovating a home. Consumer confidence has eased in recent months as Ontarians have become more concerned about the strength of the recovery and economic risks in Europe and the United States. There remains tremendous uncertainty with downside risks in looking forward to the 2013 housing market and beyond.

▲ Housing starts in 2012 are expected to reach 77,600 up from last year's 67,821.

▲ The current 2012 forecast is up significantly from the Ministry of Finance Budget forecasts of 64,000, meaning the new housing sector out-performed provincial government expectations in terms of job creation and tax revenue.

▲ The strength of the GTA condo market has supported the highest level of multi-unit residential housing starts since the 1970s.

▲ The GTA condo market reached a record level of activity in 2011 with Urbanation recording 28,190 sales. Sales are anticipated to be approximately 18,000 in 2012, which is still above the 10-year average.

2012 HOUSING STARTS

INCREASES		DECREASES	
London	28%	Sudbury	-10%
Hamilton	22%	Kingston	-11%
Toronto	21%	Brantford	-6%
Barrie	12%	Oshawa	-3%
Ottawa	4%	Kitchener	-2%

Source: CMHC (January – December 2012)



▲ A slow growth plan conformity process is causing land and housing supply issues in the GTA, which is limiting market potential and inflating housing prices. OHBA is very concerned by the negative impacts on housing affordability and choice.

▲ There are a number of risks that may impact the residential construction industry in 2013, including:

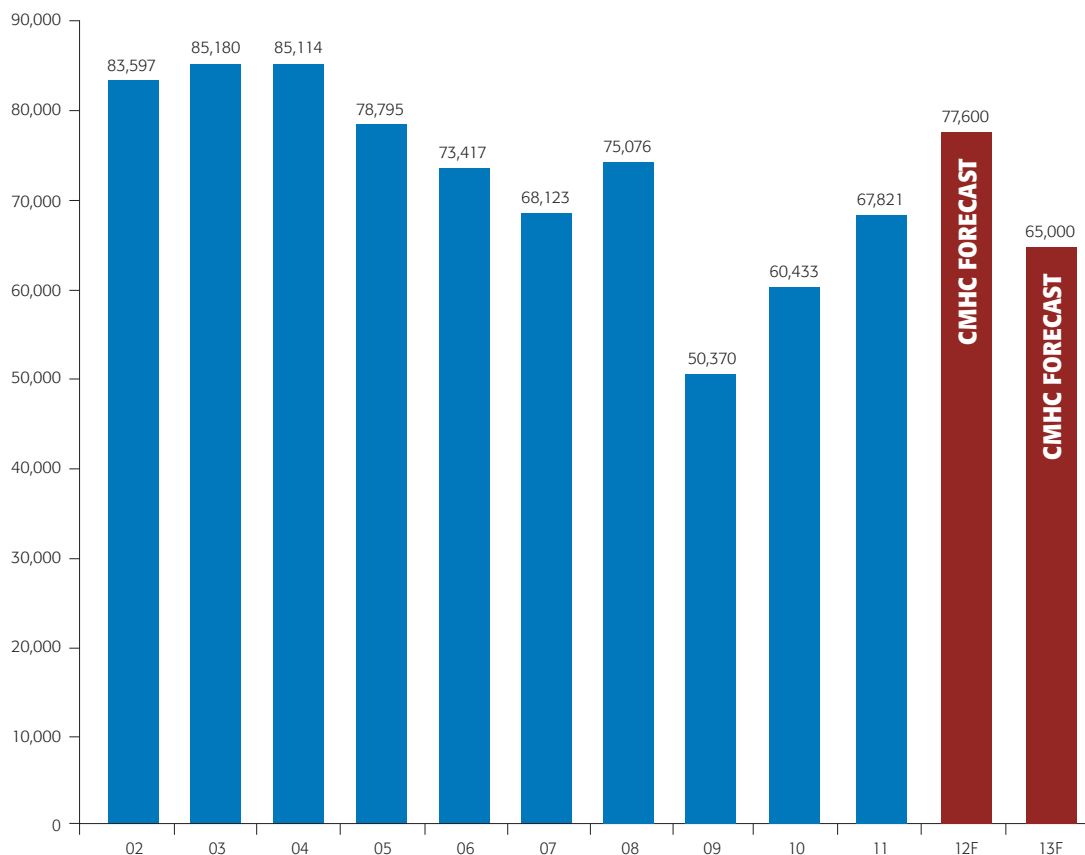
- Potential for international fiscal pressures causing a Canadian recession;
- Consumer confidence is highly sensitive;
- Risk of increasing mortgage rates in the second half of 2013;
- Stagnant employment in some Ontario communities;
- Additional increases in municipal development charges;
- Land availability, especially in the GTA and Ottawa, is a major concern;
- Underground economy.

ONTARIO RESALE HOUSING

	MLS Price	MLS Sales
2004	\$246,000	197,353
2005	\$263,042	197,007
2006	\$278,455	194,793
2007	\$299,544	213,379
2008	\$302,354	181,001
2009	\$318,366	195,840
2010	\$342,245	195,591
2011	\$366,272	200,334
2012F	\$386,000	196,900
2013F	\$386,400	193,000

Source: CMHC

ONTARIO NEW HOUSING STARTS – 2002-2013(F)



Source: CMHC



3.2 The Ontario Housing Market in 2012

Despite a decline in overall sales, the GTA high-rise condominium market remains strong and above average trends, while the broader housing market in a number of Ontario communities is experiencing slower levels of activity. Wider economic turmoil and a **weak jobs market** in many Ontario communities are weighing on new housing and renovation demand.

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

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

Development charges have continued to increase substantially in many jurisdictions across the province despite broader economic uncertainty and declining consumer confidence. In the GTA there are now some jurisdictions that have development charges in excess of \$50,000 for a single-family home. Housing affordability and choice is a major concern for the industry and should be a concern of the provincial government. If Ontario is to remain competitive in an increasingly globalized economy with a mobile workforce **it is essential that home ownership be an affordable and attainable objective for the middle class.**

The renovation market was fairly resilient to the strong economic headwinds in 2012, however there continues to be a shift to ‘do-it-yourself’ jobs and to the underground economy since the HST took effect. This problem will escalate in 2013 as mandatory WSIB coverage for independent operators takes effect. This will have long-term consequences for consumers, legitimate contractors and on government revenues.

Across Ontario the single detached market continued to moderate and lose market share to the very strong multi-unit sector. The GTA high-rise market experienced strong sales volumes throughout the year and the record level of sales in 2011 is now translating into elevated levels of construction and housing starts. The level of new condo construction, and therefore jobs and the associated economic growth, will continue for the next few years as projects that absorbed strong sales move into the construction phase. OHBA notes that projects typically require 70%-80% confirmed pre-sales to obtain construction financing through a rigorous due diligence process of checks and balances. Urbanation reports that 89% of inventory on projects currently under construction have sold. Furthermore, concerns that the investor market is due for a major correction are unfounded as condo vacancy rates have remained stable in 2012 at a very low 1.2% according to CMHC. The GTA condo market is unable to keep pace with rental demand.

“I would caution that Ontarians without a job or with no job security are highly unlikely to purchase a new home or consider major renovations.”

OHBA President Doug Tarry, November 8, 2011 Media Release



Home builders are extremely concerned with respect to the **decreasing supply of development land** in Ontario. Regulatory process and inertia on approving Official Plans that are in conformity with the growth plan is restricting land supply and contributing to increased costs, which reduce housing affordability. OHBA is concerned by new government policies, regulation and legislation that do not provide clear transition policies respecting the long-term status and future urban land requirements of provincially assigned growth communities and the principles of the Provincial Policy Statement.

More expensive urban housing markets will be more vulnerable to higher mortgage carrying costs as rates will inevitably increase from current historical lows. The Bank of Canada has noted that house prices remain very high relative to income. Since the adverse impact of elevated residential property prices on affordability has been largely offset by low interest rates, affordability would be considerably curtailed if interest rates were closer to historical norms. OHBA is extremely concerned that **middle class buyers will be very sensitive to interest rate increases** and that housing choice will become extremely limited for most Ontarians should rates return to historical norms.

3.3 Market Trends

The current housing cycle peaked in 2003 and 2004 with 85,180 and 85,114 housing starts respectively with housing starts dipping to 50,370 during the recession in 2009. Activity in 2012 is forecasted by CMHC to reach 77,600 housing starts.

ONTARIO HOUSING STARTS FORECAST

	2011	2012F	2013F
Single	26,814	25,600	25,500
Multi	40,937	52,000	39,500
Total	67,821	77,600	65,000

Source: CMHC

Renovation spending is expected to increase from \$23.9 billion in 2011, to \$25.2 billion in 2012 and \$25.7 billion in 2013. In addition, Ontario's resale market will moderate slightly with forecast volumes of 196,900 in 2012 and 193,000 for 2013.

Short-term mortgage rates are anticipated to remain low as the Bank of Canada attempts to stimulate the economy. The last increase in the Bank of Canada overnight rate was on September 8, 2010. Posted mortgage rates are anticipated to remain at historically low levels through most of 2013.

“Historically low mortgage rates are supporting housing affordability and helping first time home buyers get into the market. However, home builders are concerned that modest job growth numbers in Ontario may result in some softening of the market in the months ahead.”

2011-12 OHBA President Doug Tarry, June 8, 2012 Media Release



3.4 Economic Impact of Housing

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

FISCAL IMPACTS IN 2011, DUE TO RESIDENTIAL CONSTRUCTION ACTIVITY (Millions of \$s)

		New Residential Construction	Residential Renovations	Other Related Expenditures	Total
Personal Income Tax	Federal	\$720	\$1,200	\$170	\$2,090
	Provincial	\$340	\$550	\$80	\$970
	Other Provinces	\$40	\$60	\$10	\$110
	Total	\$1,100	\$1,810	\$260	\$3,170
Total CPP Premiums		\$500	\$830	\$120	\$1,450
Total EI Premiums		\$210	\$350	\$50	\$610
GST Revenue		\$1,010	\$1,500	\$170	\$2,680
HST Revenue (Provincial portion)		\$700	\$2,400	\$280	\$3,380
Total Government Revenue		\$3,520	\$6,890	\$880	\$11,290

Source: Will Dunning Inc.

In 2011 the residential construction industry (both new housing and renovations) contributed over \$42 billion to the provincial economy and created an estimated 193,900 direct on-site jobs and 131,900 indirect off-site jobs, resulting in a total of 325,800 person years of employment. The total wages generated from the residential construction industry was over \$17.1 billion. The taxation revenue generated for the federal and provincial governments from the residential construction industry totalled approximately \$11 billion in 2011.

“CMHC’s housing starts exceeded the Provincial Budget’s 2012 forecast by 10,000 units! These numbers reinforce our industry’s resilience and role as a job creator.”

OHBA COO Joe Vaccaro, January 10, 2013 Media Release

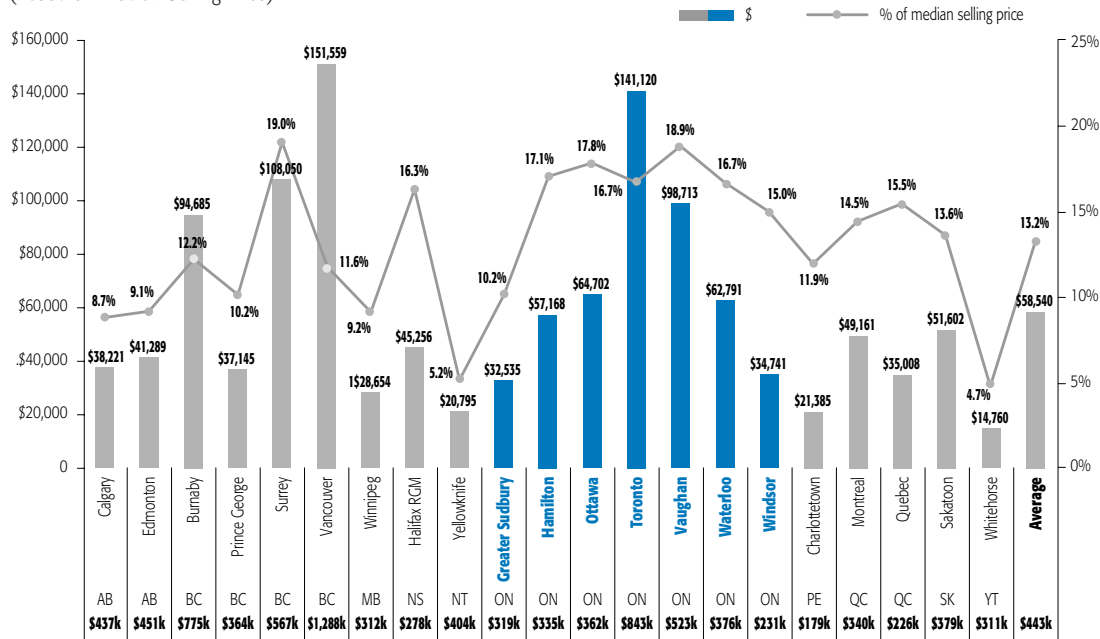
On average in Ontario, each new house purchased generates tens-of-thousands of dollars in taxes and fees collected by all three levels of government. In addition, there is on-going tax revenue generated year-after-year for municipalities through property taxes. Add to that nearly \$7 billion in tax revenues collected from the renovation sector and it is apparent that our industry provides sizeable revenue to all levels of government as well as significant employment opportunities for Ontarians.

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



New Single Detached Homes – 2009 Total Estimated Municipal, Provincial and Federal GICs

(Based on Median Selling Price)



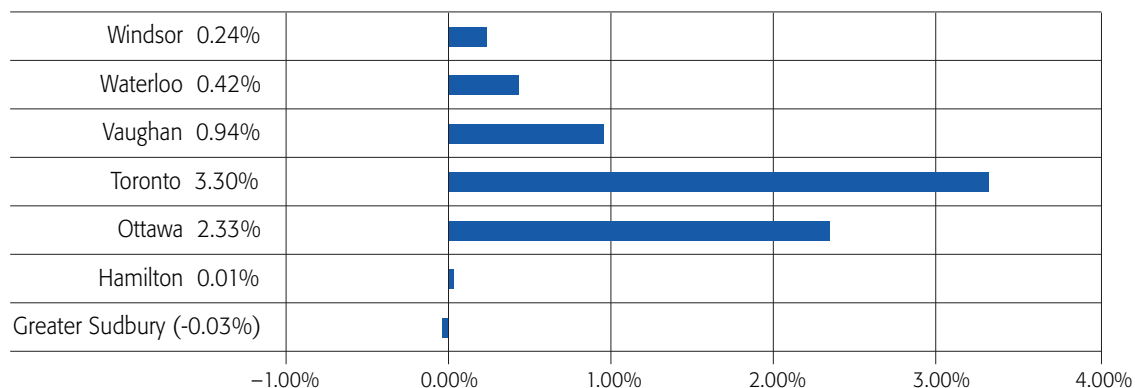
Source: Canada Mortgage and Housing Corporation

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

The increase in GICs between the 2006 and 2009 CMHC studies are a significant concern to OHBA. Not only have the absolute GICs increased as a dollar figure per home, but GICs have increased in six of seven Ontario municipalities as a percent of the selling price since the previous CMHC study was conducted. The data included in the study was collected prior to the implementation of the HST, which added another new layer of taxation on new housing valued over \$400,000.

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

(Median Priced - Single Detached Unit)



Source: Canada Mortgage and Housing Corporation



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



Empire Communities: *Beyond The Sea Condominiums*



4. FACTORS AFFECTING HOUSING

4.1 Underground Economy and Renovations

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

The introduction of the single sales tax (13%) has unequivocally exacerbated an existing problem (5% GST had already previously encouraged many consumers to seek ‘cash deals’) and also presents a myriad of issues, including losses in tax revenues and increased risks to consumers.

Some of the problems associated with the underground economy for renovations are estimated to include:

- ▲ Significant government revenue leakages such as:
 - Loss of up to **\$298 million** in **GST revenue** annually;
 - Loss of up to **\$1.6 billion** in **income tax revenue** annually;
 - Loss of up to **\$767 million** from other revenues such as **CPP, WSIB, EHT and Employment Insurance premiums**;
- ▲ Creating barriers for the industry's future development;
- ▲ Warranties are generally non-existent and consumers suffer with little or no recourse in the event of shoddy workmanship;
- ▲ Introducing risks to consumers (financial and liability);
- ▲ Health and safety risks to construction workers;
- ▲ Undermining the integrity of the tax system;
- ▲ Legitimate contractor have difficulty competing with the underground operator.

The \$25 billion renovation sector that employs nearly 200,000 Ontarians is particularly vulnerable to the ‘cash deal’. OHBA is concerned that the 13% single sales tax has had a negative impact on renovations. In a report released in November 2009, the Altus Group stated:

- ▲ The single sales tax would increase the annual tax burden on homeowners and rental housing investors in the province by some \$757 million annually and triple the sales tax rate on contractors’ renovations in Ontario (the contractor renovation segment accounts for about 70% of renovation investment in the province);
- ▲ The single sales tax would shift more renovation and repair jobs from professional contractor assignments to do-it yourself projects. The shift to do-it-yourself work would reduce economic activity and employment and could have long-term negative consequences for the quality of the existing housing stock in Ontario;
- ▲ The single sales tax is likely to shift more activity into the “underground economy” with implications on government tax revenue, renovation quality and homeowner liability.



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

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

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

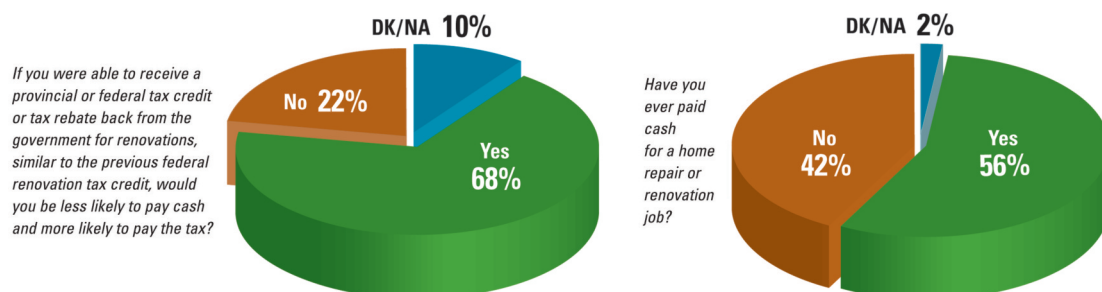
- ▲ Both the provincial and federal governments **introduce permanent broad based Home Renovation Tax Credits** for their portions of the HST. The rebates should go directly to consumers to encourage the collection of receipts from legitimate business;
- ▲ The Ontario government should implement a permanent broad based Home Renovation Tax Credit for contractor renovations on all qualifying contractor renovations. OHBA notes that 2.6% Provincial Sales Tax was previously estimated to have been embedded in contractor renovations and that the HST represents 5.4% in “new sales tax”.
- ▲ The Federal Government should implement a new permanent broad-based Home Renovation Tax Credit following the success of the Home Renovation Tax Credit, on all qualifying contractor renovations.

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

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

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

More than two-thirds surveyed said that they would be less likely to pay cash if they were to receive a provincial or federal tax credit back from the government. The survey, conducted by Environics Research, polled 1,113 home owners throughout the province. The margin of error is +/- 2.9%, 19 times out of 20.



Government and industry are taking positive steps to curb underground activity. **OHBA is supportive of the Healthy Homes Renovation Tax Credit** to allow seniors greater flexibility to age-in-place and to support legitimate businesses through the collection of receipts. OHBA was pleased that the legislation was passed by the Legislative Assembly and OHBA is assisting to educate our members and consumers regarding qualifying renovations.

OHBA, through its renovator members, continues to educate consumers about the perils of dealing with contractors in the underground economy and encourages potential customers to pursue the skills of a professional contractor. OHBA is supportive of the RenoMark™ Program that was recently recognized by the Ministry of Consumer Services as a key resource for consumers and has purchased licenses for all 30 local Ontario home builders' associations. In order to be a member in good standing with RenoMark™, renovator members have agreed to abide by a set of standards which ensure transparency and accountability. Some measures include: offering a minimum two-year warranty on all work, carrying a minimum of \$2 million liability insurance, having proper insurance coverage and only employing subcontractors that carry such coverage and carry applicable licenses and permits for each job.

“In an aging society, adapting and improving Ontario’s housing stock with retrofits to improve accessibility is an important recognition of our changing demographic realities and the value of renovations conducted by professional contractors.”

OHBA President Doug Tarry, November 23, 2011 Media Release

Lastly, OHBA recommends that the province set up an *Underground Economy Task Force* with a focus on the construction sector with the following objectives:

- ▲ Consult with diverse stakeholder groups, including OHBA, regarding the underground economy;
- ▲ Research best practices for underground mitigation methods in other jurisdictions;
- ▲ Provide recommendations with respect to tax policy, regulatory policy, red tape reduction, enforcement activities, incentives and information sharing between agencies to combat underground economic activity;
- ▲ Consider province-wide campaigns to raise public awareness of the negative impact of the underground economy in the home renovation industry.



4.2 Government Imposed Charges

Home builders support the financing of infrastructure directly tied to the communities they build. New communities also bring important new property assessment to municipalities across the province and provide an important residential population base to support job growth. The residential construction industry and our new home buyers pay the capital costs related to growth while also contributing significantly towards upstream capital costs related to growth. Additionally, the home building and 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, however, seriously concerned that many municipal politicians have viewed new home buyers as an easy target for additional taxes, levies and fees while artificially suppressing property taxes to appease existing municipal voters. OHBA is concerned that charges and fees derived from housing developments in many municipalities have **escalated beyond a reasonable direct cost recovery level** and are being viewed as a general revenue source. Home builders support paying for growth related infrastructure, however, existing home owners are not paying their fair share to maintain and improve community services through property taxes. New home buyers have proven to be the path of least resistance for municipal politicians to implement higher taxes, fees and charges. OHBA understands that many municipalities are fiscally challenged; however, it is not the responsibility of new housing consumers to substitute for general tax base revenue that should fund the maintenance and improvement of existing services.

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

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

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

Source: Canada Mortgage and Housing Corporation



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

<ul style="list-style-type: none"> • 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

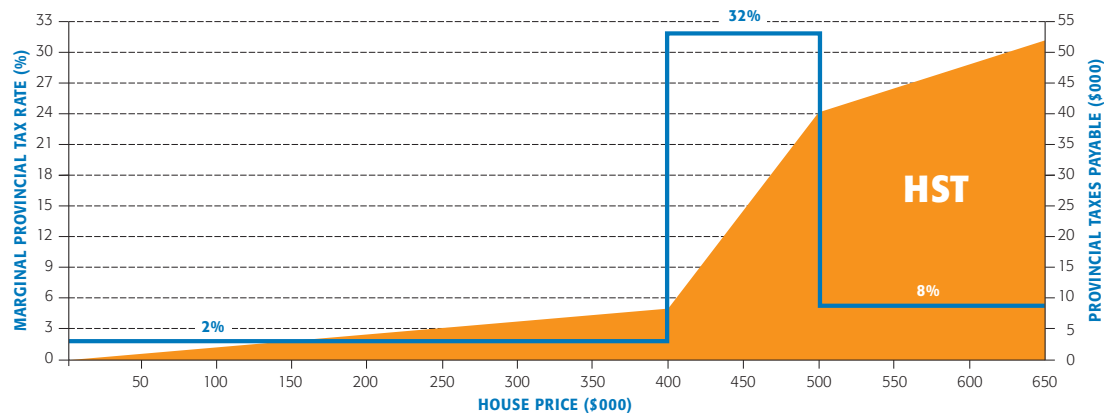
For more detailed information from the CMHC 2010 study, please see Appendix B.



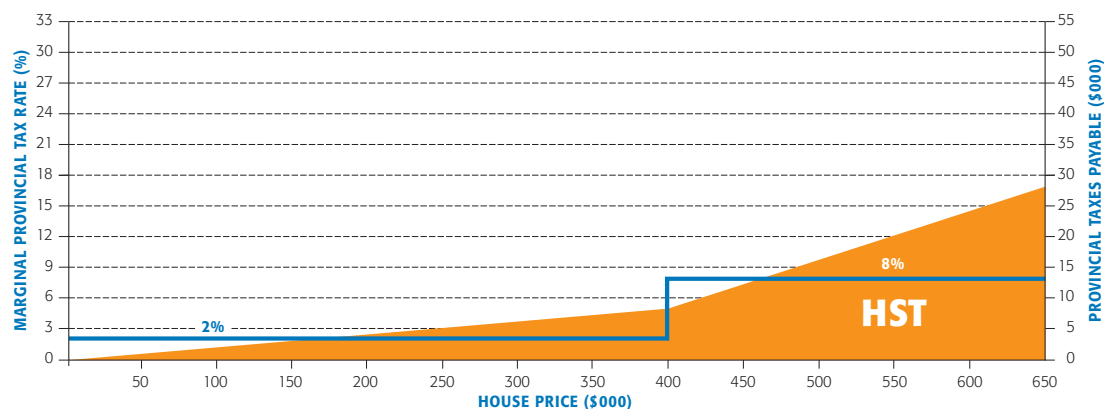
4.3 Updating HST Thresholds

OHBA recognizes that the shift to a value-added single sales tax will yield long-term economic benefits for capital investment, income growth and job creation at a broad level across Ontario. However, the harmonized sales tax has significant industry specific taxation implications for residential construction. The initial harmonized sales tax proposal would have resulted in significant taxation increases for new housing and was based on a regressive tax structure with dual thresholds that the federal government implemented when the GST was introduced. The initially proposed tax structure would have implemented the highest marginal tax rates on the middle class with a claw-back of the rebate on new homes valued above \$400,000 and a complete elimination of the rebate on new homes valued over \$500,000. This tax structure would have been devastating for housing affordability and would have created significant market distortions for the middle class.

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



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



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



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

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

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

Ontario housing prices tend to rise over time and from 2000 to 2011 the new housing price index has increased some 44.3%, compared with general inflation that rose by 26.3%; and median family income which advanced by 20.3%. As a result of faster housing price appreciation, an ever growing share of new homes are valued at the high-end of the price range, yet a large number of households living in homes valued above \$400,000 are middle income families.

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



Doug Terry Homes: *The Kenwood*



4.4 Infrastructure

The residential construction industry and development industry strongly supports strategic and coordinated infrastructure investment to create jobs and lay the foundation for future economic expansion, prosperity and productivity gains. OHBA recognizes the challenge of eliminating the infrastructure deficit as the province shifts towards austerity. OHBA therefore recommends that the province make **targeted core infrastructure investments** that support other provincial objectives such as prosperity, intensifications and the efficient movement of goods and people.

The ten-year capital infrastructure plan is of key importance to the residential construction industry. **Investments made by the public sector facilitate additional private sector investment and job creation from our members.** Infrastructure investment should be more strongly coordinated among all levels of government based on clearly defined priorities. Providing stability and predictability as to when and where infrastructure dollars are going to be spent, will allow for the private sector to adequately plan projects and target investments to utilize new and upgraded public infrastructure facilities.

OHBA has previously recommended increasing the share of the existing gas tax to fund municipal capital infrastructure expansion, however, given the current deficit, OHBA recognizes additional gas tax transfers as a long-term goal.

The long-term white-belt lands in the GTA are of critical importance for future economic growth and will house significant core infrastructure resources. OHBA is concerned by potential land restrictions in the long-term strategic white-belt urban reserve lands that act as a buffer between the greenbelt and current urban area. Conservation Authorities and new provincial legislation and regulations continue to carve up white-belt lands with ever increasing buffers, creating a fragmented supply of developable land. Many municipalities have financed existing infrastructure based on forecasted development charges revenue and assessment growth of residential, commercial and industrial growth into the white-belt. Development land supply issues across the province are reducing housing affordability, impacting infrastructure planning and limiting housing options and supply for Ontarians.

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

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



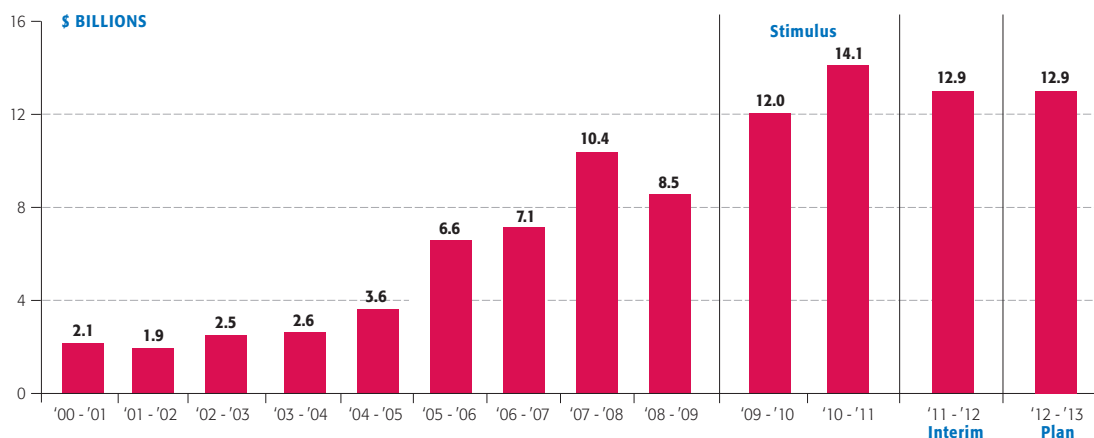
“The continued stimulus funding focusing on infrastructure and job creation will spur growth and solidify Ontario’s path to recovery.”

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

The province should aggressively reduce regulatory barriers that hold up critical infrastructure projects in red tape and result in higher costs. The current economic situation should be a catalyst for government to analyze infrastructure approvals, funding and delivery in search of improvements.

Infrastructure is the key to enhancing productivity with the goals of improving our quality of life, productivity and the competitiveness of Ontario in an ever increasing globalized economy. OHBA recommends that the Provincial Government tie infrastructure funding agreements to important provincial goals and objectives. Major infrastructure projects and specifically public transit projects should include conditions for ‘as-of-right zoning’ to reduce the barriers of intensification, encourage investment and ensure the best-use of scarce public dollars. The home building and development industry require greater certainty and speedier implementation timelines to encourage additional investment that will support transportation corridors, urban growth centres and mobility hubs. The province should take a more aggressive approach to implement provincial transportation infrastructure and land-use goals and objectives that support economic development. Infrastructure is the key to enhancing productivity with the goals of improving our quality of life and the competitiveness of Ontario in an ever increasing globalized economy.

ANNUAL INFRASTRUCTURE INVESTMENT IN ONTARIO



5. CONCLUSION

5.1 Conclusion

Ontario is dealing with ongoing global economic uncertainty that is largely beyond its control and is creating significant budgetary pressures. OHBA recognizes that the province has a limited arsenal of policy and taxation tools to counter strong global economic headwinds. The province must however demonstrate strong leadership and be prepared to make difficult decisions with respect to the policy levers that it does exert control over.

OHBA recommends that job creation and economic development be considered as top priorities in the 2013 budget and broader public policy agenda. The province should conduct regulatory reviews of public policies with the goal of modernizing and transforming government to support a more competitive business environment. Furthermore, targeted core infrastructure investments that support provincial growth plans, job creation and economic development should remain a key focus of the upcoming budget.

The implementation of the HST was a step to encourage investment, however, the tax reforms had direct impacts for residential construction. OHBA is supportive of the enhancements made to the tax structure, as it applies to new housing, and is strongly advocating, through our national association, for the federal government to adopt the same progressive tax structure as it applies to the GST. However, the province must commit to a regular review of the \$400,000 threshold to ensure middle class home buyers are not overburdened by taxation as new home prices inevitably increase in the years ahead.

OHBA is very concerned about the volume of underground activity in the renovation sector. OHBA is seeking a joint federal and provincial solution to this issue through a broad-based permanent Home Renovation Tax Credit to encourage the use of legitimate contractors and limit government revenue leakage to the underground. OHBA is supportive of the *Healthy Homes Renovation Tax Credit* and has also recommended an interministerial task force to examine potential solutions to underground economic activity in the construction sector.

OHBA is pleased to have a positive working relationship with the government. Our membership is, however, deeply concerned that the unintended consequences of some government policies will result in an escalation of housing prices, decreasing affordability and a lack of housing choice. Therefore OHBA recommends amending the Ontario Building Code to allow for six-storey wood structures as a more affordable method of delivering mid-rise housing opportunities while supporting Northern Ontario's forestry sector. OHBA notes that despite broader economic turmoil, the residential construction industry was extremely resilient in 2012 and was a key driver of growth and job creation. OHBA looks forward to working together with the Province of Ontario to ensure our industry remains a leader and is the engine that drives the provincial economy.



APPENDIX



Ontario
Home Builders'
Association

29 LOCAL ASSOCIATIONS

BILD

Brantford

Chatham-Kent

Greater Dufferin

Durham Region

Grey-Bruce

Guelph & District

Haldimand-Norfolk

Haliburton County

Hamilton-Halton

Kingston-Frontenac

Lanark-Leeds

London

Niagara

North Bay & District

Greater Ottawa

Peterborough &
the Kawarthas

Quinte

Renfrew County

Sarnia-Lambton

Saugeen Country

Seaway Valley

Simcoe County

St. Thomas-Elgin

Stratford & Area

Sudbury & District

Thunder Bay

Waterloo Region

Greater Windsor

Ontario Home Builders' Association

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THE RESIDENTIAL CONSTRUCTION INDUSTRY IS

the engine that drives Ontario's economy

2011 Data



67,821 Housing Starts

Housing starts in Ontario increased by 12% in 2011 over the 60,433 housing starts recorded in 2010. Activity is anticipated to soften in 2012 with a forecast 63,450 housing starts. Each new home built in Ontario is not only a roof over a family, but it provides thousands of jobs and generates significant dollars in taxes, fees and levies for all three levels of government.

325,800 Jobs

The new housing and renovation sector is a significant employer in Ontario. Residential construction includes a broad range of high quality jobs from skilled trades to planners, engineers, architects, economists and lawyers.

\$42 billion

In 2011 the value of new housing, residential renovations and impacts of other expenditures related to residential construction in Ontario totalled \$42 billion.

\$17.1 billion in Wages

The average weekly wage in Ontario's construction sector is \$1,016. This compares to a \$1,002 average in all industries. The average construction wage is 1% higher than the overall industry wage for full-time employment in Ontario.

\$3.17 billion

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

\$2.68 billion

Total GST revenue generated from Ontario housing starts, renovations and other related expenditures.

\$3.38 billion

Total provincial share of HST revenue generated from Ontario housing starts, renovations and other related expenditures. The harmonized sales tax significantly increased provincial sales tax revenue on new homes and renovations when it was implemented on July 1, 2010.



\$1.45 billion

Total CPP Premiums generated from Ontario housing starts, renovations and other related expenditures.

\$610 million

Total EI Premiums generated from Ontario housing starts, renovations and other related expenditures.

\$149 million

Estimated total WSIB premiums billed to the Home Builder rate group in Ontario.



Ontario's Renovation Industry



Ontario
Home Builders'
Association

The Size of Ontario's Renovation Industry

- **211,000 Jobs** in home renovation and repair
- **\$21.8 Billion** in construction value
- **\$10.9 Billion** in wages
- **\$2 Billion** in federal and provincial Income Tax revenues
- **\$910 Million** in Canada Pension Plan premiums
- **\$380 Million** in Employment Insurance premiums
- **\$1.4 Billion** in GST Revenues to federal government
- **\$1.5 Billion** in Harmonized Sales Tax revenues to the provincial government
- **\$6.2 Billion** in total federal and provincial government revenue.



OHBA is the home of Professional Renovators in Ontario

Through the RenoMark label, contractors must:

- Be a member in good standing of the Local Home Building Association.
- Provide a detailed, written contract (including scope of work) for all jobs.
- Offer a minimum two-year warranty on all work (excludes minor home repair).
- Carry a minimum of \$2 million liability insurance.
- Have coverage for workplace safety and employers' liability and/or work only with subcontractors who carry such coverage.
- Carry applicable licenses and permits.
- Maintain a professional level of knowledge of current building codes, permit procedures, and technical skills through continuing education.
- Maintain a safe and organized worksite.
- Return phone calls within two business days.

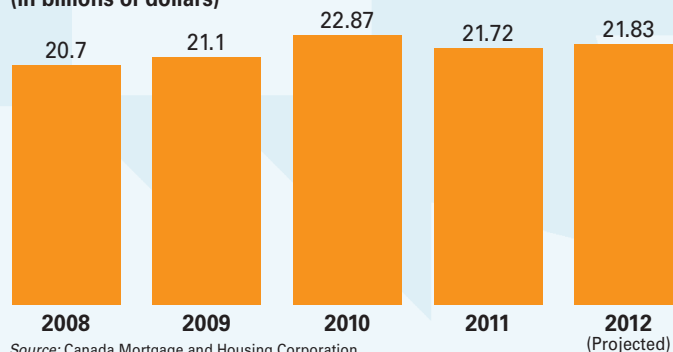


The Problem of the Underground Economy

- In a 2010 Environics Survey of 1,113 Ontario homeowners, 56% admitted to paying cash for a home repair or renovation job, while 68% said they'd be less likely to pay cash if they could receive a tax credit.
- The underground economy prior to the implementation of the HST represented an estimated 37% of the total output of residential renovation contractors in Ontario or approximately \$5.2 billion.
- The underground economy in the renovation sector presents a myriad of problems including:
 - Significant government revenue leakages in Ontario, such as:
 - Loss of up to \$298 million in GST revenues annually;
 - Loss of up to \$1.6 billion in income tax revenue annually;
 - Loss of up to \$767 million from other revenues such as CPP, WSIB, EHT and Employment Insurance premiums;
- When consumers participate in the underground economy, they expose themselves to:
 - Financial and liability risks;
 - Health and safety risks for construction workers and the homeowners who hire them; and
 - Undermining the integrity of the tax system.

Renovation Activity in Ontario

(in billions of dollars)



Source: Canada Mortgage and Housing Corporation

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

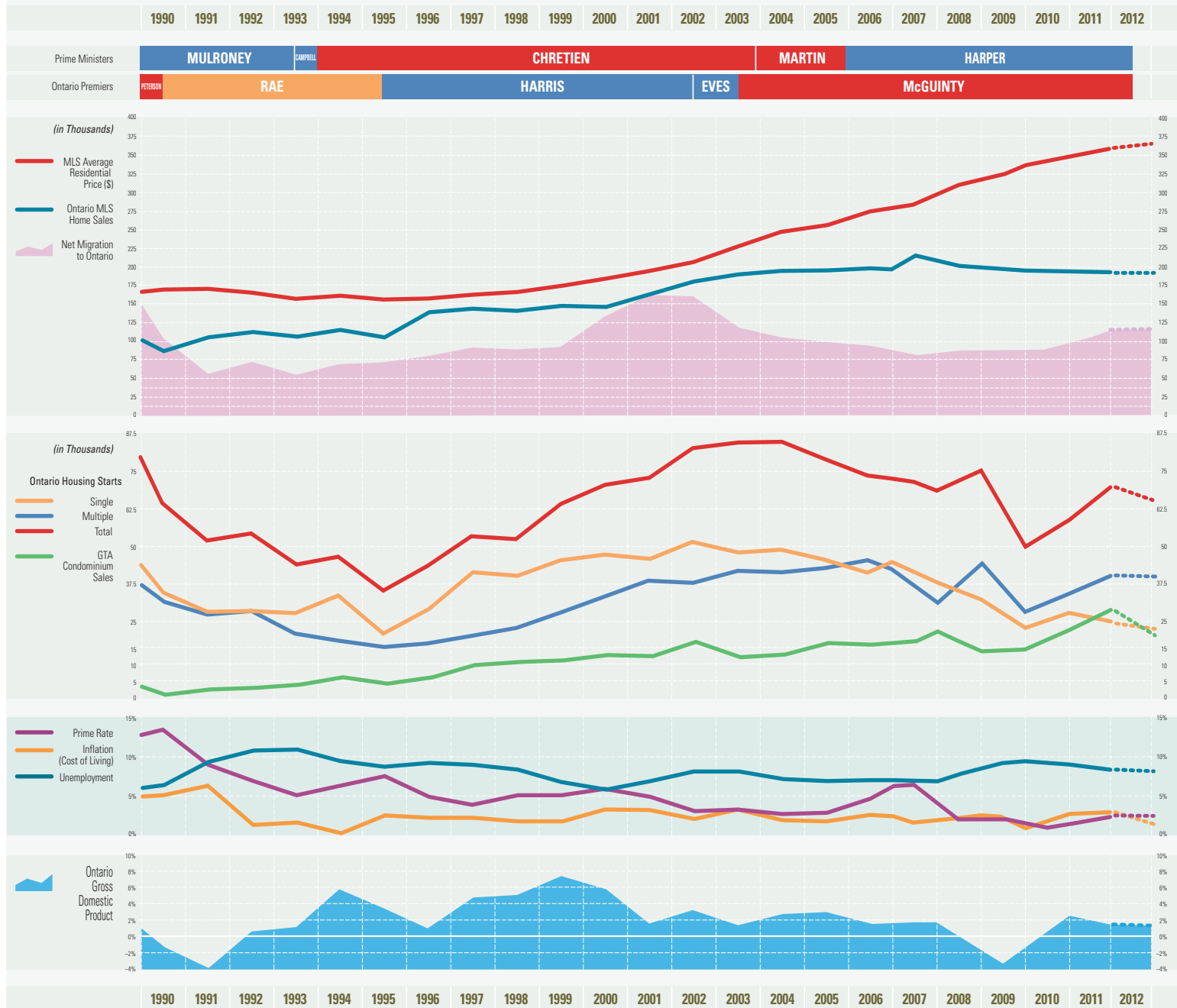
Together we build 80% of the new housing in Ontario.

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web: www.ohba.ca

1990-2012

Ontario Housing & Economic Indicators



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

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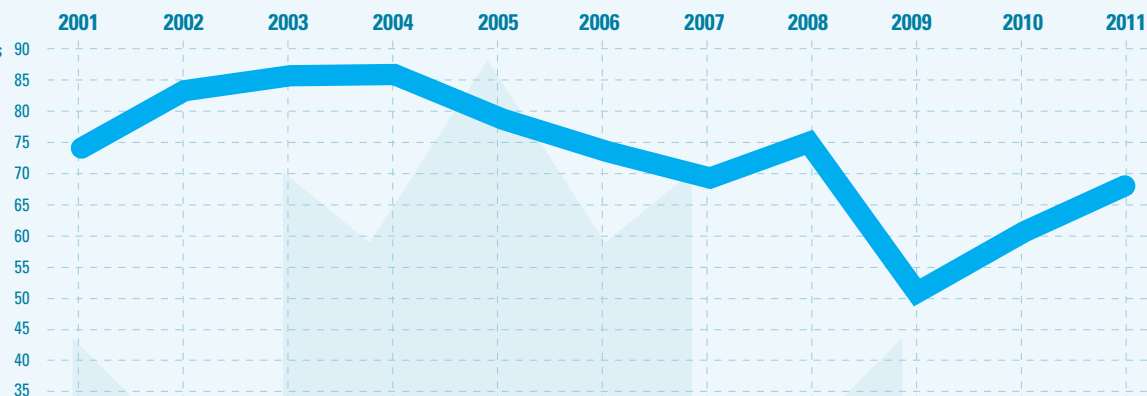
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Total Housing Starts Ontario 2001-2011



Ontario
Home Builders'
Association

All Ontario
in thousands



Census Metropolitan Areas

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Barrie	2,445	2,739	2,368	2,435	1,484	1,169	980	1,416	427	682	700
Brantford	475	700	458	482	534	409	589	432	317	504	428
Guelph	993	1,138	994	1,420	951	864	941	1,087	567	1,021	764
Hamilton	3,365	3,803	3,260	4,093	3,145	3,043	3,004	3,529	1,860	3,562	2,460
Kingston	707	810	1,131	872	683	968	880	672	717	653	959
Kitchener	3,537	4,130	3,995	3,912	3,763	2,599	2,740	2,634	2,298	2,815	2,954
London	1,607	2,604	3,027	3,078	3,067	3,674	3,141	2,385	2,168	2,079	1,748
Oshawa	2,561	3,490	3,907	3,153	2,934	2,995	2,389	1,987	980	1,888	1,859
Ottawa	6,251	7,796	6,381	7,243	4,982	5,875	6,506	6,998	5,814	6,446	5,794
Peterborough	294	423	547	514	619	437	540	428	371	404	351
St. Catharines	1,134	1,317	1,444	1,781	1,412	1,294	1,149	1,138	859	1,086	1,110
Sudbury	191	298	306	388	400	477	587	543	450	575	595
Thunder Bay	211	197	211	287	227	165	249	167	180	222	374
Toronto	41,017	43,805	45,475	42,115	41,596	37,080	33,293	42,212	25,949	29,195	39,745
Windsor	2,157	2,490	2,237	2,287	1,496	1,045	614	453	391	617	719

Larger Census Agglomerations

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Belleville	284	393	387	507	367	313	368	324	357	324	265
Chatham-Kent	96	90	150	143	197	217	177	136	85	103	113
Cornwall	148	198	231	217	159	132	135	133	156	173	127
Kawartha Lakes*	290	321	359	367	322	334	349	311	199	341	212
North Bay	89	123	125	151	226	185	112	139	199	176	101
Sarnia	155	374	203	194	243	191	258	278	299	203	223
Sault Ste Marie	74	86	99	119	128	105	117	173	85	99	129

Urban areas

(Population 50,000+)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
All Ontario	73,282	83,597	85,180	85,114	78,795	73,417	68,123	75,076	50,370	60,433	67,821

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

Source: CMHC

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

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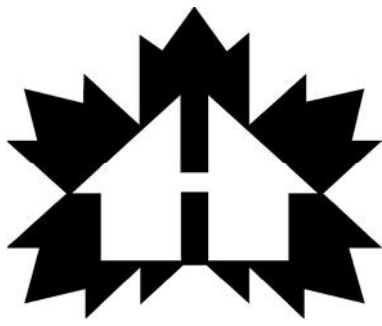
Detailed Government Imposed Charges Breakdown on Median Priced New Single-Detached Dwellings (2009)



Ontario
Home Builders'
Association

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

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



Ontario
Home Builders'
Association

MEDIA RELEASE

2013 Budget Submission – Appendix C

OHBA Renovators Support Reno Tax Rebates Positive Measure will Combat a Growing Underground Economy

November 23, 2011 – Toronto, ON – The Ontario Home Builders' Association (OHBA) supports the Minister of Finance, Hon. Dwight Duncan's announcement to implement a *Healthy Home Renovation Tax Credit* as part of the Fall Economic Statement. Homeowners will qualify for a tax credit when they make a home retrofit for accessibility purposes allowing seniors to age-in-place, improve the quality of Ontario's aging housing stock and stimulate the economy.

OHBA President Doug Tarry said, "in an aging society adapting and improving Ontario's housing stock with retrofits to improve accessibility is an important recognition of our changing demographic realities and the value of renovations conducted by professional contractors."

Tarry commented, "the underground 'cash' economy is rampant in the renovation sector and the *Seniors Healthy Home Renovation Tax Credit* will encourage home owners to collect receipts and hire legitimate business rather than paying cash under the table." Of the over \$23 billion spent on renovations in Ontario, it is estimated over \$5 billion is conducted by illegal underground contractors.

Earlier this year the CRA noted that 3 million Canadian participated in the stimulus focused federal *Home Renovation Tax Credit*, which gave the Canadian economy a shot in the arm in the midst of the worldwide economic crisis. Analysts have estimated it pumped an additional \$4.3 billion in renovation investment into the economy as well as reduced underground economic activity through the collection of tax receipts.

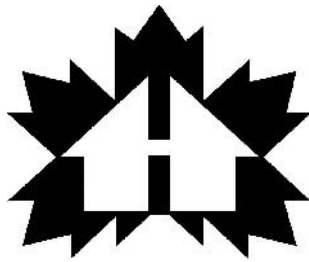
The Ontario Home Builders' Association with over 500 renovator members is the voice of the residential construction industry in Ontario representing 4,000 member companies organized into 29 local associations across the province.

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For further information or to arrange interviews please contact Stephen Hamilton at 416-578-5800

Ontario Home Builders' Association

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**Ontario
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MEDIA RELEASE

2013 Budget Submission – Appendix C

Consumers Back Reno Tax Rebates To Combat A Growing Underground Economy

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

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

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

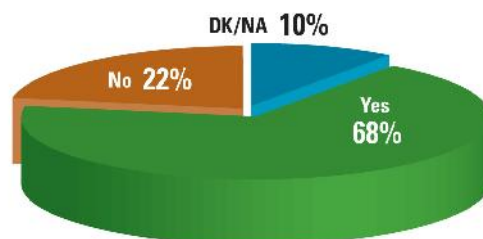
President Finnigan also noted that, "If a rebate system was in place it would encourage consumers to ask renovators for receipts, creating a paper trail for Canada Revenue Agency to monitor." Added Finnigan, "A rebate program is a responsible, targeted policy that will shed light on the underground economy."

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

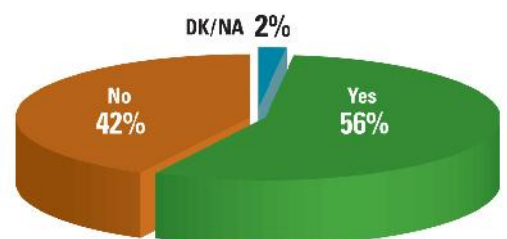
OHBA also notes that the consequences of paying cash under-the-table for this kind of work can have dire results for homeowners. Consumers often do not have legal recourse and could be subject to significant liability if an accident happens within the home. Illegal renovations introduce health and safety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

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

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



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





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OHBA represents
4,000 member
companies organized
into a network
of 29 local
associations across
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Together we build
80% of the
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Infrastructure Investment is the Road to Prosperity

The Infrastructure Deficit

- A gap in core infrastructure funding across Canada arose during the 1980s, and has resulted in a deterioration of a significant proportion of the facilities that people and business rely on daily;
- In recent years, the difference between needed investment in basic infrastructure and what is being constructed has been narrowing and must remain a key priority.

What is "Core" Infrastructure

- Infrastructure is the physical component of our shared built environment and provides services essential to sustain and enhance standards of living in Ontario;
- The most important infrastructure for both the future economic well-being and the quality of life of Ontarians is "core infrastructure". It includes: roads and bridges; public transit; water supply; sewage collection and treatment systems.



Target Infrastructure Investments

- In targeting infrastructure investments the province should be supportive of other public policy goals and objectives such as overall prosperity, intensification, energy efficiency, accessibility and the efficient movement of goods and people;
- The overall quality, service life and performance of basic urban infrastructure can be increased over time if annual and long-term investment are better aligned with requirements, and if this type of infrastructure receives the priority attention it deserves;
- Infrastructure investments should complement and support the Provincial Policy Statement, the Growth Plan for the Greater Golden Horseshoe as well as the Northern Growth Plan and the Metrolinx Regional Transportation Plan.

Infrastructure = Prosperity

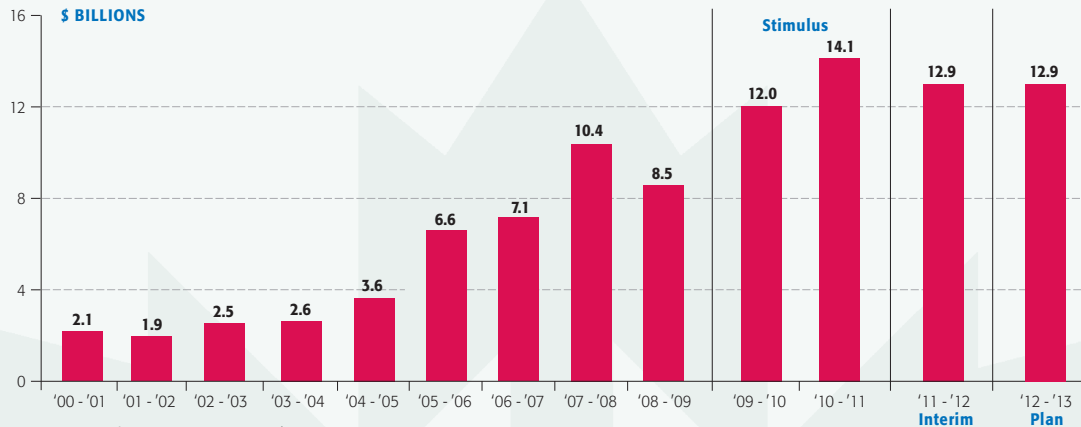


- Infrastructure investments support jobs during these challenging economic times, spur private sector investment and help to lay the foundation for future growth and prosperity;
- An infrastructure investment plan that provides stability and predictability as to when and where infrastructure dollars are going to be spent, will allow for the private sector to adequately plan projects and target their investments to utilize new and upgraded public infrastructure facilities.

Ontario Government Infrastructure Investment



ANNUAL INFRASTRUCTURE INVESTMENT IN ONTARIO



- Good public infrastructure is a key foundation of a prosperous economy. Infrastructure investments can reduce business costs, lower travel times, improve public services and enhance Ontarians quality of life.
- Infrastructure investments including the three year (2012-13 through 2014-15) \$35 billion infrastructure plan are helping to spur economic growth.
- The provincial government should view infrastructure not as a costly expense, but as an investment in Ontario's future. Infrastructure is the key to enhancing productivity with the goals of improving our quality of life and the competitiveness of Ontario in an ever increasingly globalized economy.



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

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

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RESOLUTION # 4 (External)



Submitted to: Minister of Transport, Infrastructure and Communities (federal)
Minister of Finance (federal and provincial)
Minister of Infrastructure and Transportation (provincial)
Minister of Municipal Affairs and Housing (provincial)
Federation of Canadian Municipalities
Canadian Urban Transit Association
Association of Municipalities of Ontario
Canadian Home Builders' Association

Submitted by: OHBA Land Development Committee

Date: September 24, 2012

Subject: National Transit Strategy (Capital Expansion)

Whereas: Canada remains the only OECD (Organization for Economic Co-Operation and Development) country without a long-term predictable federal transit-investment policy; and

Whereas: A key priority for the federal government should be the expansion of core infrastructure in support of a growing economy and growing population; and

Whereas: OHBA supports a *Long-Term Infrastructure Plan for Canada* that provides stability and predictability for both the federal government's partners at the provincial and municipal level as well as private sector stakeholders. By bringing predictability, accountability and transparency to the process, the private sector can target its resources and make sound investment decisions based on the certainty of future government investments; and

Whereas: Major urban centres across Canada that are growing and intensifying require a dedicated national transit strategy with predictable long-term funding. There is a clear need to coordinate long-term plans and investments with municipal and provincial partners that anticipate future growth and pursue desirable outcomes of infrastructure systems.

Whereas: The Federation of Canadian Municipalities Big City Mayor's Caucus has recommended that the federal government establish a national transit strategy to improve the global competitiveness, quality of life and environmental sustainability of Canada's cities.

Whereas: Safe, reliable and efficient public transit is vital to the movement of people in urban economies, presenting undeniable economic, environmental and social benefits not just for cities and communities, but for the entire nation; and

Whereas: OHBA is generally supportive of the general principles of the Growth Plan for the Greater Golden Horseshoe. However, land-use planning must work in conjunction with transportation planning and the intensification of the largest urban region of the country requires significant transit investments from both the provincial and federal governments.

Therefore be it resolved that: OHBA is supportive of a national transit strategy that dedicates funding to support municipal transit expansion.

MOVED: Kevin Watts

SECONDED: Douglas Stewart

CARRIED



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

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 Haldimand-Norfolk
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 Hamilton-Halton
 Kingston-Frontenac
 Lanark-Leeds
 London
 Niagara
 North Bay & District
 Greater Ottawa
 Peterborough &
 the Kawarthas
 Quinte
 Renfrew County
 Sarnia-Lambton
 Saugeen Country
 Seaway Valley
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