



Submission to the
House of Commons Standing Committee on Finance
for the
Pre-Budget Consultations in Advance of the 2020 Federal Budget

The Canadian Real Estate Association

August 2019



Recommendation 1: That the government create credit or rebate programs for homeowners to retrofit existing housing stock to make their homes more energy efficient.

Recommendation 2: That the government implement a national standard to which professionals responsible for conducting energy audits of homes and building must adhere.

Recommendation 3: That the government address housing affordability by:

- Easing the terms of the mortgage stress test
- Increasing the First Time Home Buyers' Tax Credit
- Reintroducing 30-year amortizations

About CREA

The Canadian Real Estate Association (CREA) represents 130,000 REALTORS® across the country and is proud to participate in the Standing Committee on Finance's Pre-Budget Consultations in advance of the 2020 budget on the theme of "Climate Emergency: The Required Transition to a Low Carbon Economy." CREA welcomes the opportunity to share recommendations directly with the members of the Committee, as the 2020 federal budget presents an opportunity to ensure the Canadian housing market continues to contribute to the economy while promoting energy efficiency.

Real Estate and a Low Carbon Economy

Given their close relationship with homeowners, REALTORS® have a unique perspective to offer on energy efficiency in housing. CREA recognizes that the commitment to the Pan-Canadian Framework on Clean Growth and Climate Change requires action.

The housing sector has already made significant progress with voluntary adoption of higher energy efficiency standards. Between 1990 and 2016, residential GHG emissions decreased by 11.7 megatons, representing a 5.3 per cent drop in the sector's contribution to total emissions.¹ A significant portion of this can be attributed to better technology, including more efficient insulation, windows, and exterior materials as well as a voluntary adoption of higher efficiency standards.

¹ 'Canada's GHG Emissions by Sector, End Use and Subsector – Including Electricity-Related Emissions', *Natural Resources Canada*, November 2018, <http://oee.nrcan.gc.ca/corporate/statistics/neud/dpa/showTable.cfm?type=HB§or=aaa&juris=ca&rn=3&page=0> (accessed August 1, 2019)



CREA supports energy efficient housing and understands home owners have a role to play in reducing green house gas emissions from their home. However, efforts must be made to mitigate potential negative impacts on homeowners resulting from the cost of retrofits and upgrades.

The cost of mandatory audits, or improvements recommended by such audits, could significantly affect owners of older homes (that may require more adjustments), as well as low-income homeowners who may not be able to afford them. Homeowners could also see the equity they have accumulated in their homes erode.

New building codes could also affect affordability in housing markets that are already experiencing high prices. CREA recommends that Budget 2020 include measures that aid in the transition to a low carbon economy, while avoiding unintended consequences on the housing sector.

REALTOR® Recommendations

Recommendation 1: Incentivize homeowners to retrofit existing housing stock to make them more energy efficient through credits or rebate programs.

Recommendation 2: Implement a national standard to which professionals responsible for conducting energy audits of homes and buildings must comply.

1. Incentivize Energy Efficient Retrofitting

The housing sector has already made significant progress with voluntary adoption of higher energy efficiency standards. However, additional energy efficiency gains could be made if various level of governments offered incentives for retrofits.

Providing progressive, voluntary programming is the key to advancing energy efficiency and supporting innovation in the housing sector. This type of program has worked in Canada in the past. The ecoENERGY Retrofit Program, for example, provided homeowners with credits of up to \$5,000 to retrofit insulation, rooftops, windows and doors. Programs such as these complement provincial and territorial incentives, such as BC's Better Homes, and further efforts to move toward a low carbon economy.

CREA proposal:

CREA is proposing the creation of credit or rebate programs to incentivize homeowners to retrofit existing housing stock to make it more energy efficient. Homeowners already possess the will to make their homes more energy efficient; credits or rebates would provide a greater means to do so. A federal incentive program should complement existing programs in some provinces and territories.



2. A National Standard for Energy Auditing

CREA acknowledges that the Pan-Canadian Framework on Clean Growth and Climate Change requires action. However, the government must remain cognizant of the possible unintended consequences, particularly for existing housing stock, of moving to stricter building codes. CREA is concerned about the impact this would have on housing affordability, specifically regarding the cost of retrofits and upgrades for Canadian homeowners.

A national standard for energy auditing is needed but must reflect the difficulties and challenges of older properties, as compared to newer, more energy efficient ones. To address these concerns, calibrated assessments could be considered that would be adjusted depending on the age of the home. For example, an older home could be subject to a less intensive energy retrofit baseline that would take into account the age of the home and the cost of suggested renovations. In some cases, it may not be cost effective to make extensive retrofits to older homes that do not necessarily provide a substantial reduction of GHG emissions.

There are also legitimate questions regarding the enforcement and the use of standards and thresholds across the country by energy auditors or professionals responsible for conducting energy audits of homes and buildings. Conflicting options of recommended renovations, which may be wide ranging in cost, could result in a troubling lack of consistency for homeowners. We highly recommend a national standard or a common approach to avoid a patchwork of enforcement mechanisms across municipalities and provinces.

CREA proposal:

CREA is proposing the implementation of a national standard to which professionals responsible for conducting energy audits of homes and buildings must adhere. A national standard for energy auditing would ensure consistency. CREA recommends that this national standard adopt a calibrated assessment system to balance the need for energy efficiency while recognizing the challenges of retrofitting older homes.

Next Steps

By nature of their profession, REALTORS® are sensitive to the effects of emerging technologies on the housing market. They can certainly attest to the existing will to move toward more energy efficient homes, made evident by the sector's trend toward reduced GHG emissions, both in volume and as a percentage of overall emissions.



REALTORS® are also aware that homeownership seems out of reach for some Canadians who worry about affordability, as well as their eligibility to qualify for a mortgage due to the B-20 stress test rules. CREA has advocated for other measures that could benefit homebuyers in housing markets across the country, such as:

- **Easing the terms of the mortgage stress test** or applying a regional lens to enable borrowers to qualify for mortgages and reach their dream of homeownership;
- **Increasing the First Time Home Buyers' Tax Credit** to provide meaningful assistance and enable Canadians to invest in their future;
- **Reintroducing 30-year amortizations** to improve affordability and make monthly payments more manageable for the middle class.

Occupants are more likely to invest in a property that they own and can be proud of, and helping more Canadians become homeowners is a win-win scenario.

That is why in this submission CREA has recommended further **incentivizing energy efficient retrofits**, a course of action with a proven track record of reducing emissions in the residential sector without causing any harm to the equity Canadians have built through homeownership.

CREA has also recommended a **calibrated assessment** based on the age of a home and the cost of proposed renovations, as well as the development of a national standard for energy auditing.

REALTORS® know what homeowners across the country are concerned about and improving their homes while cutting down monthly expenditures is always top of mind. Energy efficient retrofits allow them to do both and will continue to help the housing sector reduce its impact as we transition to a low carbon economy.

We hope that the Committee's recommendations will reflect the desire in the housing sector to make that transition, while also protecting the equity homeowners have accumulated, and creating opportunity for more Canadians to achieve the dream of homeownership.