



Submission to the
House of Commons Standing Committee on Finance
for the
Pre-Budget Consultations in Advance of the 2021 Budget

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Recommendation 1: That the government recapitalize the Strategic Innovation Fund (SIF) and expand its eligibility criteria by:

1. Decreasing the minimum application threshold from \$10 million to \$2 million.
2. Reducing applicant companies' contribution requirement from 100% to 25% of funds provided by the Government of Canada.
3. Allowing for a portion of applicant companies' contribution requirement to be an in-kind contribution.
4. Investing additional capital in the Fund to help position more innovative small businesses as drivers of Canada's economic recovery from COVID-19.

Recommendation 2: That the government expand eligibility for the Minister of Finance's mandated 50 percent tax cut for advanced manufacturers creating zero emissions technology to include companies that create infrastructure that is certified as energy efficient.

Recommendation 3: That the government implement a green renovation program to provide home owners, landlords, and affordable housing providers with up to \$40,000 in zero-interest loans to complete green renovations to their property, allowing for a portion of the loan to be forgiven if the remainder is repaid within two years.



About 3DPHC

3DPHC is a Calgary-based startup poised to bring sweeping innovation to Canada's residential construction industry. By leveraging emerging technologies currently being used in Europe, Asia, and the Southern United States, 3DPHC will build homes with the incomparable economy of an industrial 3D printer.

Our company was founded with one goal in mind: helping all Canadians attain an affordable home that suits their needs. Whether it's an affordable housing project or an individual family that wants to break into homeownership, 3DPHC is intent on making it possible. But, not necessarily on a small scale. We are ready to address housing needs across the country.

Utilizing an innovative, highly energy-efficient building material, 3DPHC can create housing supply quickly, affordably and sustainably without sacrificing quality. In comparison with traditional construction, our homes can be built two, and in some circumstances, three times faster. The cost savings are immense. A build will cost 33 to 50 percent less.

COVID-19 has changed the way we work. It's changed the way we live. As Canadians seek housing, make the decision to work from home, or change the way in which they care for elderly relatives, 3DPHC is uniquely positioned to help families, workers, and business owners find sustainable, affordable, Canadian-made solutions.

Introduction

The economic consequences of the pandemic have had a severe impact on the Canadian economy. In April alone, Statistics Canada reported that unemployment in Canada had risen to 13 percent¹. The stark numbers underscore what the Conference Board of Canada believes could be as many as 2.8 million Canadians facing unemployment due to COVID-19².

To grapple with this crisis, parliamentarians and other government officials have delivered support programs for individuals and businesses with extraordinary speed. It's truly commendable. These programs have been paramount to helping many Canadians survive this crisis.

It is important for Canadians not only to survive, but to thrive. To do so, a shift in mindset from emergency response to economic recovery is crucial. As the Government's response to the COVID-19 pandemic changes to fulfill this new priority, urgency must be given to three key economic recovery measures: investing in future growth; reducing tax burdens for producers of energy efficient infrastructure; and investing in housing supply.

¹ Statistics Canada, "Labour Force Survey, April 2020." Available at: <https://www150.statcan.gc.ca/n1/daily-quotidien/200508/dq200508a-eng.htm>

² The Conference Board of Canada, "Canadian Overview." Available at: [https://www.conferenceboard.ca/\(X\(1\)S\(ysco4kps1dcylu3ly4k1gfpt\)\)/focus-areas/canadian-economics/provincial-outlook/canadian-overview?AspxAutoDetectCookieSupport=1](https://www.conferenceboard.ca/(X(1)S(ysco4kps1dcylu3ly4k1gfpt))/focus-areas/canadian-economics/provincial-outlook/canadian-overview?AspxAutoDetectCookieSupport=1)



Investing in Future Growth

Investing in startups means investing in innovation, job creation, and future growth. These are essential to a strong, lasting economic recovery from COVID-19. A successful future demands that governments do more to help innovative small businesses scale up, create jobs, and ensure the future growth and resilience of our economy.

Despite their importance to the Canadian economy, many Canadian startups have been ineligible for the generous emergency response measures the Government of Canada has implemented to support individuals and businesses. In comparison, France has taken a unique, forward-thinking approach with startups. Recognizing that startups were projected to contribute 25 percent of France's new jobs in 2020, prior to COVID-19³, the French government created a €4 billion support program⁴ that provides grants and other funding that reflects the importance of startups to the French economy.

The Government of Canada can provide even more robust, merit-based support for startups that will position them to accelerate innovation and create jobs as our economy recovers from COVID-19.

The Strategic Innovation Fund (SIF) was created to support innovation and attract talent to come to or remain in Canada. Small changes to SIF, rather than creating a new COVID-19 response program, will allow for merit-based funding to get into the hands of innovative small businesses more quickly, positioning them as drivers of Canada's economic recovery from COVID-19.

Currently, SIF has a minimum application threshold of \$10 million, with a matching contribution requirement of 100 percent. If an innovative startup with potential to create hundreds of jobs and scale up quickly is seeking \$10 million, they must also provide \$10 million. This barrier is punishingly restrictive for innumerable small businesses. Many will likely not require \$10 million. A lesser amount will allow them to scale up, create jobs, and contribute to the future growth and resilience of our economy.

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- 4. Investing additional capital in the Fund to help position more innovative small businesses as drivers of Canada's economic recovery from COVID-19.**

³ Sifted, "Why France is Bailing out its Start Ups." Available at: <https://sifted.eu/articles/france-startups-bailout/>

⁴ Sifted, "France Coronavirus Cash Support." Available at: <https://sifted.eu/articles/france-coronavirus-cash-support/>



Reducing Tax Burdens for Producers of Energy Efficient Infrastructure

Significant investments in infrastructure are needed to restart the Canadian economy as it recovers from the COVID-19 pandemic. That said, the pandemic provides the government with opportunities to reimagine Canada's infrastructure, and rebuild differently by finding ways to fight the economic impact of COVID-19 and climate change simultaneously.

Climate change is causing natural disasters of increasing frequency and intensity worldwide. But, the effects of climate change are local too.

In 2016, residents of Fort McMurray, Alberta experienced harsh wildfires that destroyed thousands of homes. Just four years later, many Fort McMurray residents lost their homes to severe flooding as well. This is just a sample of the damage that climate change can have on Canadian people and communities.

Canada can and must do more to mitigate the impacts of climate change, including reducing emissions. This is why 3DPHC proudly supports the mandate given to the Minister of Finance to "cut tax rates by 50 per cent for companies that develop and manufacture zero-emissions technology"⁵. Reducing taxes for these companies will aid Canada's fight against the ravages of COVID-19 by encouraging innovation and job creation, while also fighting the looming prevalence of climate change.

Limiting eligibility for this tax cut to companies creating zero emissions technology excludes the multitude of companies that are creating energy efficient infrastructure, such as housing. As wide-scale infrastructure investments are needed as a major pillar of Canada's economic recovery plan, minimizing the scope of eligibility in this manner is harmful to both the intent of the cut and to businesses committed to addressing the issue.

Broadening this tax cut to include producers of energy efficient infrastructure would be an immensely prescient decision. It will incentivize builders to opt for greener methods, supplies, and technologies when undertaking infrastructure projects to aid Canada's economic recovery. Companies creating energy efficient infrastructure, such as Built Green or ENERGY STAR® certified projects/products, should be rewarded for helping address climate change and for building infrastructure to aid Canada's economic recovery.

Recommendation 2: That the Minister of Finance expand eligibility for his mandated 50 percent tax cut for advanced manufacturers creating zero emissions technology to include companies that create infrastructure that is certified as energy efficient.

⁵ The Prime Minister's Office. Available at: <https://pm.gc.ca/en/mandate-letters/2019/12/13/minister-finance-mandate-letter>



Investing in Housing Supply

3DPHC was founded on the basis that all Canadians should have a safe and affordable home that satisfies their needs. Unexpectedly, the pandemic has provided an opportunity to help realize that goal, while providing the Canadian economy with much-needed stimulus.

Governments have begun making large-scale investments in housing to help their economies recover from COVID-19. In Australia, the Commonwealth Government has created a program called HomeBuilder⁶, providing homeowners and first-time home buyers with a \$25,000 grant to renovate their home or build a new one. This program will provide significant stimulus and help more Australians have homes that suit their needs.

During Election 2019, Prime Minister Trudeau proudly campaigned on a green renovation program to make homes more energy efficient and resilient to climate change⁷. The proposed program would offer homeowners and landlords an interest-free loan of \$40,000 to complete these renovations. A more robust green renovation program would better reflect the current needs of the Canadian economy while supporting its intended purposes of making housing both more energy efficient and resilient to climate change.

A combination of loans and forgivable contributions will provide program recipients with up-front funds at a time when money is tight for a lot of Canadians. Adding a forgivable contribution portion will also increase uptake; recipients will receive more value for participating in the program. Requiring recipients to repay the loan within two years would allow the government to recoup more funds more quickly and permit partial loan forgiveness that would afford the option of reducing market liquidity as Canada's economic outlook improves.

Further, the green renovation program could be made more potent by extending it to affordable housing providers. This would help ensure that all Canadians, including the most vulnerable among us, have a home that best satisfies their needs.

A potential consequence of the disproportionate amount of COVID-19-related deaths at long-term care facilities is that there may be a trend toward moving elderly relatives into family homes. Some may have the desire to protect their senior relatives in this way, but may not have enough space. Allowing the green renovation program to cover energy efficient home additions, granny flats, or backyard suites would provide this needed space while protecting vulnerable Canadians from COVID-19.

Recommendation 3: That the government implement a green renovation program to provide homeowners, landlords, and affordable housing providers with up to \$40,000 in zero-interest loans to complete green renovations to their property, allowing for a portion of the loan to be forgiven if the remainder is repaid within two years.

⁶ The Treasury of the Australian Government, "HomeBuilder." Available at: <https://treasury.gov.au/coronavirus/homebuilder#:~:text=HomeBuilder,new percent20home percent20builds percent20and percent20renovations.>

⁷ The Liberal Party of Canada, "Forward: A Real Plan for the Middle Class." Available at: <https://2019.liberal.ca/wp-content/uploads/sites/292/2019/09/Forward-A-real-plan-for-the-middle-class.pdf>