

Pre-Budget Consultation Submission for the Upcoming Federal Budget



List of Recommendations

Recommendation 1 – Housing Supply: The federal government should take a leadership role in supporting provincial and municipal governments to streamline permitting and approval processes for market-rate housing to speed up construction to reduce project financing costs.

Recommendation 1.1: Support actions that address challenges to new construction such as zoning restrictions, density limits, and NIMBYism.

Recommendation 1.2: Scale up of the Rapid Housing Initiative and expand it to entry-level market-rate housing to address persistent housing supply and affordability challenges along the entire housing continuum.

Recommendations 1.3: Ensure that federal government infrastructure funding for provinces and municipalities is used to support actions that can incent new housing supply.

Recommendation 2 – Affordability: Undertake a thorough review of the existing mortgage system through a lens of fairness and access for first-time home buyers.

Recommendation 2.1: Return to 30-year amortization periods for first-time buyers.

Recommendations 2.2: Modify the stress test for both insured and uninsured mortgages to reduce the test rate on a declining basis for 7- and 10-year mortgage terms.

Recommendation 3 – Immigration and Skilled Trades: Make changes to the immigration system to respond better and more quickly to labour shortages in residential construction through permanent immigration solutions.

Recommendation 4 – Climate Goals: Work with the residential construction sector to address the affordability challenges for consumers of attaining higher levels of energy efficiency in new and existing homes.

Recommendation 4.1: Invest in R&D to find energy efficiency measures that do not reduce affordability. The government should focus on innovation to bring down costs and scale up use before regulation.

Recommendation 4.2: Promote the use of the EnerGuide Rating System (ERS) label on all houses at the time of resale to increase energy literacy and valuation of energy efficient homes. The ERS should be expanded and promoted as the backbone of all renovation incentives, tax credits, and other energy efficiency initiatives.

Recommendation 5 – Aging in Place: Work with industry to educate seniors/caregivers on their options and ensure a robust market for aging-in-place services, including reliable, trained, and transparent renovation experts.

For the residential construction sector, building back better is something we do every day. Our sector builds high quality new homes and neighbourhoods that meet the evolving needs of Canadians and support the growth of Canada's cities and communities. We also undertake important retrofits and renovations to improve the function, livability, accessibility, and efficiency of existing homes. Homeownership remains one of Canadians' most cherished aspirations, and this past year has certainly demonstrated that our homes are more important than ever. Our homes have become our workplaces, classrooms, gyms, places to relax, and, hopefully for most, places to feel safe. And residential construction, both new construction and renovation, will provide much needed jobs and economic activity during post-pandemic economic recovery.

However, the COVID-19 pandemic has created a number of challenges for CHBA members and homebuyers across the country. From skyrocketing lumber prices and product and material shortages, it has been a challenging time. The pandemic has also exacerbated market-rate housing supply and affordability issues. While the end of the pandemic may be within sight, supply-chain challenges and affordability concerns will remain and need to be addressed.

Our industry continues to be a major contributor to the economy. In 2020, there were a total of 1.24 million on-site and off-site jobs in new home construction and renovation - which continues to make the sector one of Canada's largest employers. The residential construction industry provides for \$138.1 billion in economic activity and \$81.1 billion in wages that support Canadians and local economies across Canada.

Without question the residential construction sector must play a major part in economic recovery. The enclosed recommendations will help support that role and help Canadians realize their dreams for a safe and secure home that meets their budget and their needs, while also supporting overall economic stability.

SUPPLY

While government focus has been on affordable supply, which is important, actions are needed to support and fast-track the construction of new housing supply across the continuum. This must include market-rate housing—rental and for ownership. A key driver of escalating prices in the Canadian housing market is lack of supply. Addressing market-rate housing supply will not only support middle-class Canadians and those aspiring to join it but will also alleviate some of the burden on other parts of the housing continuum. For example, 80 percent of new rental stock that comes available each year comes from renters vacating units as they become new homeowners. The inability of renters to become owners has created further pressure on the rental market and back into social and supportive housing.

To address lack of supply and address affordability challenges, it is important that the **federal government take a leadership role in supporting provincial and municipal governments to streamline permitting and approval processes for market-rate housing to speed up construction and reduce project financing costs**. CHBA also calls on the federal government to **support actions that address challenges to new construction such as zoning restrictions, density limits, and NIMBYism** (for all forms of housing, including market-rate housing). The success of the Rapid Housing Initiative in cutting through red tape shows that federal leadership of a similar type could also be used to accelerate market-rate housing supply.

Therefore, CHBA **recommends a scale up of the Rapid Housing Initiative to address persistent housing supply and affordability challenges along the entire housing continuum**, including in the market-rate housing.

The federal government should also **ensure that federal infrastructure funding for provinces and municipalities is used to support actions that can incent new housing supply**, such as investments that increase new or upgraded serviced land or align with transit system plans and expansions.

AFFORDABILITY

CHBA urges the government to carefully consider the full impact of any macroprudential and demand-side measures on prospective buyers, especially in the absence of sufficient action by all levels of government to support new housing supply, which is the real and more concerning driver of escalating prices across the country.

With the federal government's focus on a fair and inclusive recovery, finding the right balance of housing policy, fiscal policy and mortgage rules to maintain stability while also supporting the needs and goals of Canadians is essential. The right balance encourages movement along the housing continuum by creating vacancies in rental that others can fill. A healthy continuum includes robust market rate housing options, and diverse pathways to homeownership, support by sound mortgage policies.

CHBA **recommends undertaking a thorough review of the existing mortgage system through a lens of fairness and access for first-time home buyers** before implementing any policy changes that could further disproportionately impact first-time buyers. This includes an overhaul of the mortgage stress test for both insured and uninsured mortgages. The changes to the stress test reduces the buying power of those at the margin by approximately 4 percent. CHBA **recommends that the stress test (for both insured and uninsured mortgages) be modified to reduce the test rate on a declining basis for 7- and 10-year mortgage terms**, given the reduction in risk with longer mortgage terms for both Canadians and the financial system, as encouraged by the Bank of Canada.

CHBA also recommends **a return to 30-year amortization periods for first-time buyers**. Such changes would go further to support well-qualified home buyers access homeownership while strengthening the economy and the Canadian financial system. If the government remains concerned with risk in re-introducing 30-year amortizations for CMHC, this could be addressed by having Finance Canada allow private-sector insurers to partake in the insurance for 30-year amortization mortgages.

IMMIGRATION AND SKILLED TRADES

Immigration continues to be vital for the Canadian economy and for the long-term health of the Canadian housing market. Immigration also continues to be a key source of labour and drives economic and housing activity in Canada.

The construction industry continues to face chronic labour and skills shortages, and [BuildForce Canada's 2021 Residential Construction labour market information](#) report projects that the sector will need to recruit more than 148,000 new workers over the decade to keep pace with retirements and demand. A significant portion will need to come from groups traditionally underrepresented in the current construction labour force, including women, Indigenous people, and new Canadians.

CHBA recommends the federal government **make changes to the immigration system to respond better and more quickly to labour shortages in residential construction through permanent immigration solutions**. This means the government would enhance the selection of immigrants with skilled trades credentials or construction experience to ensure that the residential construction sector will receive its proportionate share of newcomers.

CLIMATE GOALS

Like housing affordability, climate change is a top-of-mind issue for Canadians. While there is an important role that housing can play it is important to ensure that addressing climate change does not exacerbate housing affordability challenges along the continuum, driving homeownership further out of reach for more individuals and families, and reducing the number of social housing units that can be built.

CHBA applauds the commitment of \$2.6 billion to provide grants for energy-efficient improvements, free EnerGuide energy assessments, and support to recruit and train EnerGuide energy auditors. There are (other) ways in which the federal government can help the housing sector continue to build energy efficient homes without damaging affordability.

It is important to **invest in R&D to find energy efficiency measures that do not reduce affordability**. The government should **focus on innovation to bring down costs and scale up use first**, before regulating excessively high levels of energy performance. CHBA cautions against adding excessive costs through code and/or regulation that will impact housing affordability in Canada, at a time when home is more important than ever. Better solutions can be and should be found first to improve affordability for consumers, not make it worse.

CHBA recommends **having the EnerGuide Rating System (ERS) label on all houses at the time of resale** to raise the energy literacy of Canadians, help home valuations truly reflect energy efficiency, and further encourage Canadians to make energy efficiency and retrofit investments on an accelerated pace in ways they can afford. Further, **the ERS should be expanded and promoted as the backbone of all renovation incentives, tax credits, and other energy efficiency initiatives by governments, utilities, and other organizations**. Consistency and clarity can help homeowners tackle climate change.

AGING IN PLACE

Even before the pandemic, seniors were looking at ways to stay in their own homes and communities longer. The nature of people's aging needs is strictly individual and home adaptations require a solid understanding of what is needed for each person meaning there is no "one-size-fits-all" solution—it is not something that can or should be regulated. A well-adapted home is based on the needs of the individuals who live there to allow them to continue to live safely surrounded by neighbours, friends, and family. To that end, CHBA established its Home Modification Council and has now begun developing an aging-in-place training and recognition program to: 1) ensure renovation contractors have the proper tools and skills to support Canadian homeowners in this growing market, and 2) provide seniors and/or their caregivers with objective information needed to make smart decisions about home adaptations.

The program is intended to provide a network of trusted and knowledgeable contractors that can do the job—protecting seniors' future and money from bad actors and the underground economy. **CHBA recommends a partnership with the federal government to accelerate this program's deployment**, of

\$5 million over four years to work together to inform and educate professionals and homeowners about opportunities available to them, and pitfalls to avoid.

While CHBA understands much of the federal support for seniors is delivered through provinces, there are a variety of ways the federal government can support stronger outcomes. This includes, working with industry, including CHBA, to educate seniors/caregivers on their options and ensure a robust market for these aging-in-place services, including reliable, trained, and transparent renovation experts. The federal government should also review and expand Home Accessibility Tax Credit to better reflect the costs of aging-in-place.