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Mr. Amarjot Sandhu
MPP, Brampton West
Chair, Standing Committee on Finance & Economic Affairs

RE: Recommendations to address COVID-19 impacts on the residential construction sector, new home buyers and consumers of renovations

Dear Mr. Chair,

On behalf of the Waterloo Region Home Builders’ Association (WRHBA), we hope you are you doing well during this challenging time. Thank you for the opportunity to share our local perspective with the Standing Committee on Finance and Economic Affairs, as you study the recommendations relating to the Economic and Fiscal Update Act, 2020 and the impacts of the COVID-19 crisis on certain sectors of the economy.

The WRHBA is the voice of the residential construction industry in Waterloo Region. We commend the provincial government on the actions taken so far to help ensure worker safety during these unprecedented times with new Ministry of Labour guidelines and increased jobsite inspections. Our members recognize that this is “not business as usual” and will continue to enhance health, safety, and sanitation protocols on job sites to protect workers, trades, contractors, clients, and their families. We all want safe job sites and we are all in these together.

COVID-19 has indeed had a substantial impact on the residential construction industry. The impacts are as wide ranging as partial shut downs of segments of the industry in the spring, the worst couple months of sales on record, uncertainty with consumer sentiment and in particular, the rise of underground economic activity in the form of unlicenced renovators working for cash in spite of provincial emergency orders.

To help combat the rise of underground economic activity, we strongly recommend that a Home Renovation Tax Credit (HRTC) be a key component of the provincial economic recovery strategy. An HRTC has a strong track record of success and usage when implemented by the federal government during the 2008/2009 financial crisis in the form of the federal Economic Action Plan.

An HRTC rebate should be implemented by requiring homeowners to properly document and report their contractor renovation projects. This would create a paper trail which would enable the provincial government to audit businesses and cross reference with other agencies such as the CRA for income taxes, WSIB, Ministry of Labour, CPP, etc. This is critical as it would help combat the underground economy and weed out those working for cash.

An HRTC would also promote stronger consumer protection by ensuring renovations have appropriate permits, inspections, and are built to the Ontario Building Code standard. It would incentivize homeowners to create secondary suites in their home to either rent out and contribute to the housing market or be used as a work/live in space for an aging family member. An HRTC should not be a significant burden on the provincial treasury as it would prevent hundreds of millions of dollars in annual revenue leakage to the underground economy. Perhaps most important, it could be implemented very quickly to provide an immediate fiscal injection into the provincial economy.

Making housing more affordable in Waterloo Region is also a key factor for COVID-19 job and economic recovery. We recommend that the provincial government reduce the tax burden on new housing in an effort to immediately make housing more affordable for Ontarians and stimulate additional investment in new housing that will generate private sector jobs in construction. Ontario's HST threshold came into effect on July 1, 2010 resulting in a significant net new tax increase on new housing. At the time, a fixed rebate of 6 percentage points of the 8% provincial portion of the tax was provided for new homes up to a threshold value of $400,000 (providing a rebate up to $24k per home). This threshold has remained at $400,000 for the last decade despite significant increases in housing prices. As part of the economic recovery plan the provincial government should immediately increase the HST Threshold for New Housing to $600,000, which would increase the new housing rebate by $12k to $36k per home for any new home sold at $600,000 or more.

Increasing the HST Threshold on new housing would immediately improve housing affordability and access to new housing for individuals and families across Ontario. Increasing the HST Threshold would also reduce the tax burden on both new ownership and purpose-built rental housing while making new housing more competitive with resale (which is not subject to HST).

One of the other major impacts COVID-19 has created within our sector is that it has put new strains on liquidity and investment potential in housing. That is why we propose requiring municipalities to accept surety bonds as a form of security for municipal agreements

The need for financial security by municipalities is a recognized and responsible practice supported by the industry. The form of financial security however is a growing concern within our sector. In the past, municipalities generally accepted surety bonds, but more recently, municipalities have moved to only accepting letters of credit as the only acceptable form of security.

As a financial security tool, letters of credit directly reduce the financial capacity of the developer, immediately limiting future investment opportunities across Ontario. Every dollar tied up in a letter of credit to the municipality is a dollar unavailable for immediate job-creating construction. Modern surety bonds provide municipalities with the necessary financial security without reducing the protections that municipalities require.

A provincial change to require municipalities to accept surety bonds as a form of security for municipal agreements would immediately free up hundreds of millions of dollars in liquidity within our sector without cost to the provincial treasury. This is a straightforward and zero cost way to help unlock millions of dollars in housing investment.

In addition we request that the Committee consider impacts that investment in local infrastructure can have on housing supply, which is all the more pressing as we move through COVID-19.

First – Growth Infrastructure
With the billions of dollars in revenue our industry generates, the government should support and redirect resources to fund strategic, growth-related key infrastructure projects that open up multiple parcels of potential inventory aimed to increase supply and meet demand. For example, key road connections, trunk sanitary sewers and water mains and pumping stations.

An elevated investment in these areas is required to allow municipalities and the homebuilding industry to deliver housing choice within the local market. Local municipalities continuously struggle to provide available funding for this important infrastructure, without which, a significant number of new homes cannot be built.

The province needs to explore new funding models and/or capital investment programs that help make funds available to municipalities to complete necessary growth infrastructure in a timely fashion and in advance of the need for new housing.

Second – Transit; Highway 401

We remain concerned with how the province proposes to move the millions of people projected to move into Ontario over the next 10 years along our already congested provincial highways. We are not keeping up with the pace of growth when it comes to our transportation network and in addressing the long delays in making transit related improvements.

Highway 401 is the main street of Ontario and one of, if not the most, important highways in the province. This highway is critical in supporting our provincial economy by moving people and goods. The recent expansions east of Highway 8 are welcome, but they're not enough.

Highway 401 west of Highway 8 is also a critical component of the Waterloo Region transportation network and is becoming more and more important as major investments in Conestoga College, local industries and our residential communities continue. This growing area needs additional trunk road capacity.

The Highway 401 corridor between Cedar Creek Road and Highway 8, together with new and improved Highway 401 interchanges linking to southwest Kitchener to Highway 401, is becoming more and more necessary. The province needs to initiate appropriate studies and begin the planning and budgeting process for this important infrastructure.

Sincerely,
WATERLOO REGION HOME BUILDERS' ASSOCIATION

Marie Schroeder
Executive Officer