July 22, 2020

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

Dear Mr. Chair,

On behalf of the Durham Region Home Builders' Association, 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 Durham Region Home Builders' Association is the voice of the residential construction industry in Durham 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 jobsites and we are all in this 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. Ultimately, 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 Durham Region is also a key factor for COVID-19 job and economic recovery. To this end, we propose that the provincial government should 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 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 holding financial security by municipalities is an appropriate 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 and would cost the provincial treasury nothing. This is a straightforward and zero cost way to help unlock millions of dollars in housing investment.

I would finally like raise for the Committee's consideration the impact that investment in local infrastructure can have on housing supply, which is all the more pressing as we move through COVID-19. The recent Metrolinx approval of four new GO Train stations in Durham Region, two in Oshawa, one in Courtice and one in Bowmanville, was met by great fanfare in Durham Region. This extension of transit will positively impact existing residents and make it an attractive option for new home buyers that are considering making Durham Region their new home. This project will not only encourage more development and create new places to live, but it will also create local jobs and invigorate the local economy. The addition of four new stations will also help municipalities meet mandated provincial density targets and create additional housing types for both buyers and renters. For these reasons, the Durham Region Home Builders' Association encourages the provincial government to make the GO Train expansion a priority.

Mr. Chair, we thank you for the work which you and the Committee are doing on COVID-19 sectoral impacts and appreciate the opportunity to identify economic and job recovery proposals for the Committee's consideration.

Sincerely,

Stacey Hawkins
Executive Officer
Durham Region Home Builders' Association