Ontario
Home Builders'
Association

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Standing Committee on Finance and Economic Affairs
99 Wellesley Street West
Room 1405, Whitney Block
Queen's Park
Toronto, ON M7A 1A2

RE: Pre-Budget Consultations

Dear Mr. Chair & Committee Members,

Thank you for this the opportunity to provide a supplementary written submission to the Standing Committee on Finance and Economic Affairs as part of the 2022 pre-budget consultation process. The Ontario Home Builders' Association (OHBA) is the voice of the land development, new housing and professional renovation industries in Ontario. OHBA represents over 4,000 member companies, organized through a network of 27 local associations across the province. Our membership is made up of all disciplines involved in land development and residential construction including builders, developers, professional renovators, trade contractors, manufacturers, consultants and suppliers. The residential construction industry in Ontario employs over 477,000 people, pays over $31 billion in wages and generates over $55 billion worth of investment value into Ontario's economy.

Since the beginning of the COVID-19 pandemic, the message from our association has been clear, jobsite health and safety absolutely vital. To help keep residential construction jobsites healthy for employees, trades and homebuyers, OHBA members have taken and continue to take extraordinary measures to screen, inform and supply the correct health and safety equipment, information and processes needed to keep jobsites safe. This commitment to health and safety remains critical and is a key component in enabling our industry to continue delivering homes to families. OHBA members know this is "not business as usual" and will continue to enhance health, safety and sanitation protocols on job sites to protect workers, contractors, clients, and their families. We all want safe jobsites.

As we renew our commitment to enhanced health and safety is it also vital that we continue delivering housing supply, jobs and economic activity to Ontarians. Following the 2007-2008 economic recession, the residential construction sector played a key role in helping our province rebound economically by delivering housing and renovations, spurring economic activity and creating jobs across Ontario. Our sector is ready, able and prepared to help Ontario rebound from the economic disruption caused by COVID-19, just as we did back in 2008.

To help our economy bounce back, create better paying and rewarding careers, while delivering much needed housing supply in communities across Ontario, the OHBA has identified select measures we

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strongly urge the province to implement as part of the 2022 provincial budget. These measures will help accelerate the delivery of new housing and work to address the affordability crisis we are seeing across our province.

Pay-on-Demand Surety Bonds

Throughout the 1950's, 60's and 70's it was common practice that Ontario municipalities accepted surety bonds as financial security for these subdivision or site plan agreements. Unfortunately, since the 1980's municipalities have moved away from accepting surety bonds as a form of financial security and today almost exclusively require Letters of Credit from a Schedule "A" Bank. As a result, builders require the necessary credit capacity and/or need to collateralize each Letter of Credit with a cash deposit, therefore, inhibiting our ability to invest and build more homes.

What this means is that across Ontario, there are billions of dollars of credit capacity and/or cash deposits that are sitting idle and not being deployed to create housing supply and choice, employment opportunities, and stimulate the economy. Furthermore, builders who have multiple sites may need to postpone advancing new projects due to the financial restrictions imposed by letters of credit. Ultimately this has a constraining impact on housing supply and cost.

There is a solution, the use of modern Pay-on-Demand Surety Bonds. A Pay-on-Demand Surety Bond can be designed to provide the identical security and features of a Letter of Credit while not negatively impacting builder and developer credit capacity to bring additional projects and housing supply forward. We strongly encourage the Standing Committee to consider, as part of the pre-budget consultation, a measure to require municipalities to accept Pay-on-Demand Surety Bonds as an acceptable alternative to a letter of credit for development and site plan agreements. Pay-on-Demand Surety Bonds will have a positive beneficial impact on creating additional housing supply by unlocking billions of dollars of additional capital investment, however, it will not create additional public sector financial exposure, risk and/or expenditures. Essentially, it is a policy option which has no cost impact on provincial and municipal treasuries or consumers and would dramatically accelerate housing supply and delivery, further helping to meet demand challenges and improve housing affordability.

This proposed change would unlock billions of dollars of private sector financial liquidity for investment in new infrastructure and housing projects, provide for more units per development and accelerate the delivery of housing of all types to awaiting individuals and families in communities big and small across Ontario.

Home Renovation Tax Credit

The Seniors' Home Safety Tax Credit from the Fall 2020 Budget and continued as part of the 2021 Fall Economic Statement was welcomed by home believers who are investing in their current homes. This incentive will help more Ontario seniors age in place and in comfort in the home that they love.

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We strongly suggest that the Senior's Home Safety Tax Credit program be upgraded into a fulsome Home Renovation Tax Credit modeled after the successful previous federal program and the one currently in place in Saskatchewan. This measure will enable more Ontario families to invest in their homes thus increase housing affordability by enabling the construction of secondary suites, helping homeowners generate additional income to pay towards the costs of the home while also bringing a rental unit to market.

A home renovation tax credit provides significant benefits of improving the supply of rental housing stock in existing communities and by enabling young families to enter the housing continuum sooner. In fact, the Canada Revenue Agency noted in 2011 that the federal government's one-year home renovation tax credit "pumped an additional $4.3 billion in renovation investment into the economy, at a time when the recession would have reduced investment in the sector."

Fundamentally, we know that a home renovation tax credit will be a key component of increasing housing affordability as it would,

- Add gentle density in existing neighbourhoods through incentivizing the addition of in-law suites, basement apartments and rental units;
- Improve older homes' energy efficiency & reduce hydro bills and well as demand on municipal infrastructure such as water and sewage;
- Repair the aging housing stock across Ontario;
- Help address climate change by improving energy efficiency & reducing greenhouse gas emissions from Ontario's existing housing stock;
- Post-pandemic, provides for homes to meet the space needs of a shift towards a working-from-home business culture;
- Enables homes to be renovated as multi-generational dwellings for families to look after their loved ones who require more advanced levels of care;
    - This will reduce the burden and costs on our health care system and more importantly the stress on providing long term care facilities which has come to light during this COVID-19 health crisis;
- Ensure renovations have appropriate permits, are constructed by professional renovators who pay into WSIB and meets jobsite health and safety expectations;
- Ensure renovations are built to the standard of the Ontario Building Code;
- Finally, a home reno tax credit can reduce the revenue loss or "tax leakage" to the underground economy caused by contractors working for cash.

Operationally, to implement such a program consumers should be required to save receipts from legitimate businesses to apply for the tax credit and submit them to the CRA (creating a paper trail), which cross references that data against other databases such as the WSIB. Second, the percentage rebate on the renovation should be set to encourage maximum impact to stimulate the economy, create

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jobs and combat the underground economy. OHBA therefore strongly proposes a home renovation tax credit, building off of the Senior's Home Safety Tax Credit, to help support economic recovery in our local communities, add gentle density to existing neighbourhoods and help address the housing crisis.

We thank the Standing Committee for their consideration of these ideas. We know that a collaborative approach between the residential construction sector and the province is essential to keeping job sites safe and healthy, delivering critically needed housing supply, spurring economic growth, and creating rewarding jobs in our province.

Best regards,

Alex Piccini

Manager of Government Relations, Ontario Home Builders' Association