

Impact of Government Regulations

Country: Canada

Organization: Canadian Home Builders' Association (CHBA)

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State of Politics of Housing Affordability

(i.e., how important is housing affordability in your country's current political landscape? Are your leaders actively discussing housing affordability? Are there positive government measures being enacted to address affordability?, etc.)

- *Housing affordability is a top issue at all three levels of government and will certainly be a major issue during the next federal election (which is expected this spring)*
- *In 2022, federal government recognized the need 3.5 million new homes over the next decade (over and above the 2.3 million the sector would normally build) to restore affordability.*
- *Most recent federal budget was considered a 'housing budget' with several measures that address affordability and increasing housing supply.*
- *Government also released the Federal Housing Plan – a holistic plan to address current challenges within the home construction sector.*
- *Extensive wins on housing affordability for CHBA in all of the above continue*

What are the major regulatory impacts driving prices and limiting supply?

Housing policy falls under three jurisdictions (federal, provincial, municipal) with municipal mostly being responsible for executing housing supply policy and facilitating (or hindering) housing delivery.

Below highlight some of the major regulatory impacts driving prices and limiting supply (with an indication of which level of government is responsible):

Interest rates (federal) – high interest rate environment has severely impacted the sector.

Ever-tightening mortgage rules (federal) – e.g. the stress test; leading to decreasing homeownership rates and forcing well-qualified first-time buyers on the margins out of the market.

Building Codes (all three levels) – codes and standards continually becoming more numerous and stringent, adding more direct costs and complexity to cost of construction.

The National Building Code does not require a cost impact analysis and affordability is not a core objective.

Provinces implement code – some concerned about affordability

Municipalities – most don't have jurisdiction to implement own code but cause major issues through by-laws and other local regulations (code by other means)

Immigration (federal) – high levels of immigration have contributed to housing supply shortages. Government also needs to adjust immigration selection process to address the labour shortages of the home construction sector.

Numerous red-tape regulations at the federal level (such as underused housing tax, duplicative/unnecessary tax reporting requirements, other regulatory compliance initiatives) adding time and money.

Development fees/taxes (municipal) – development charges have gone up 700% over the past two decades (government imposed charges now account for 31% of the cost of a new home in some cities).

Prohibitive and slow development approval processes (municipal) – changes to zoning, permit and plan approvals, inspections are slow and directly impact affordability.

How are you telling the story to try to get regulation change ?

i.e., what communications tactics are you using that seem effective in the public domain?

- *As housing affordability continues to be a hot-button political issue, federal government attention on market-rate has helpfully increased. Changing the federal minister for housing last year also jump-started federal focus.*
- *Year-round advocacy with key Cabinet ministers and political staff along with yearly 'Day on the Hill' lobby day keep our issues at the forefront.*
- *CHBA has been heavily engaged in the media and the dialogue around housing affordability and supply has changed*
- *Development of CHBA's Sector Transition Strategy which outlines the path to reach 5.8 million new homes over the next decade was well received both at the political and public service level, and received extensive media coverage.*

What are some of your regulatory successes/solutions and what is your strategy for your most important issues on regulation?

i.e., what tactics are you using that seem effective? How impactful have these tactics been in influencing policy change?, etc.)

- *Effective advocacy led to several of CHBA's "asks" being realized in the most recent federal budget including the introduction of 30-year amortization periods for insured mortgages for first-time buyers and for all new construction*
- *Federal action to tie infrastructure and transit funding to housing outcomes, including freezing development taxes and changing zoning to allow multi-plex development in single-family zoned areas*
- *Federal funding to support changing municipal permit/plan approval systems*
- *Action at municipal levels to change zoning to increase density*
- *Commitment by government to review stress test*
- *Releasing 3rd bi-annual Municipal Benchmarking Study in March – focuses on municipal regulation and charges and ranks cities against one another*
- *Election coming in the spring, with likelihood of change to a majority Conservative government*
 - *Usually aligns well with industry recommendations*
 - *Need to protect wins under current government and move forward with additional regulatory change under new government*
 - *Current Conservative slogans are: Axe the tax; Build the homes; Fix the budget; Stop the crime*