# Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

**By:** The Large Urban Centre Alliance

A working group initially comprised of the following industry representatives from across the country, consisting of:

- Canderel
- Cantiro
- DiamondCorp
- Fitzrovia
- Great Gulf
- Mattamy Homes
- Menkes
- Minto Communities
- Polygon Homes
- RioCan
- Tricon Residential
- Wesgroup

The work of the Alliance is supported and facilitated by:

- Dr. Mike Moffatt, The Missing Middle Initiative
- The Building Industry and Land Development Association (BILD)

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## List of Recommendations

1. That the government provide a temporary three-year expansion of the existing GST/HST New Housing Rebate to provide a rebate of 100% of the GST on new homes and those substantially renovated valued up to $1 million, and a partial rebate for homes between $1 million and $1.5 million, but otherwise keep the existing rebate criteria in place.

2. That the government implement a transparent direct-to-buyer development charge (DC) billing model that exempts the home from HST on DCs and land/property transfer taxes and provides in-stream homebuyer protection from DC increases.

3. That the government provide a GST/HST exemption for current rental developments under construction which are not currently eligible for the GST rebate and create a foreign-buyer ban exemption for new and pre-construction homes with defined conditions.

4. That the government ensure the *Apartment Construction Loan Program* (ACLP) is adequately capitalized to handle an increasing volume of applications.

5. That the government tie federal infrastructure funding to pro-housing supply municipal reforms, such as accepting surety bonds in subdivision agreements and site plan agreements and implementing an Edmonton-style automated approval programs.

6. That the government enforce the conditions set out in municipal Housing Accelerator Fund agreements.

7. That the government exempt real estate and housing-related infrastructure investment from the *Excessive Interest and Financing Expenses Limitation* (EIFEL) rules, and conduct a full review of other federal housing-related taxes and regulations, including the Office of the Superintendent of Financial Institutions (OSFI) mortgage stress test, to ensure they are designed appropriately for the current conditions.

8. That the government launch consultations on the *Multi-Unit Rental Buildings* (MURBs) tax provision this fall, with the goal of ensuring that rental projects that began construction on or after January 1, 2026, be made eligible for the tax provision.

9. That the government create a time-limited incentive for investors who currently own non-purpose-built rental properties, who sell the units and reinvest the proceeds into a project eligible for the MURBs tax provision.

10. That the government enable condominium construction to be financed after small-scale investor dollars have been shifted towards MURBs-eligible projects, by enabling banks to reduce pre-sale requirements on new condo developments via federal backstop facilities.

# Breaking Point: Urgent Housing Solutions for Canada's Largest Cities and Beyond

## The Current Crisis

Canada's housing system is at a breaking point. Our largest urban centres are facing a severe housing supply and affordability crisis. There is an urgent need for federal policies that reduce the cost to construct and therefore the price of new homes for Canadians and unlock an estimated $2 trillion in private capital required for housing-related construction over the next five years.

Since the second half of 2024 housing starts have declined, and all signs indicate further deterioration is likely. New home sales in the Greater Toronto Area have all but evaporated. Relative to the first quarter of 2022, new and pre-construction home sales in the first quarter of 2025 were down 89% in the Greater Toronto Area, 77% in the Greater Vancouver Area, and 51% in the Ottawa Region. Given the lag between new home sales and housing starts, new home construction is expected to remain exceptionally low in these three markets for the foreseeable future.

Other large markets—Calgary, Edmonton, and Montreal—have not yet experienced the same level of weakness but remain vulnerable to similar pressures. Combined, these six urban regions account for over 50% of Canada's housing starts, making their recovery critical to meeting national housing targets.

Meanwhile, purpose-built rental construction has increased over the past decade, but the scale of need remains enormous. CMHC estimates that Canada requires 60,000 additional rental units per year beyond current projections, with Montreal facing the largest shortfall. In the GTA, rental demand is projected to outpace supply by 121,000 units over the next decade, on top of an existing deficit of 114,000 units accumulated from 2016 to 2024.

This is not a temporary downturn. It is a systemic affordability crisis across the housing spectrum that threatens economic stability, job creation, and the federal government's own housing objectives.

Canada's housing market is facing a cost-to-build crisis. While market-based costs, such as materials and labour, are beginning to adjust, government-controlled costs remain slow to change and continue to pose a significant barrier to delivering new housing. Lowering these costs allows builders to proceed with projects at attainable price points, preserving affordability for buyers and renters while maintaining construction activity.

## The Economic Stakes

The cost of inaction is staggering:

- 41,000 jobs at risk in the GTA alone if current conditions persist (Altus Group).
- $6 billion per year in lost tax revenue for all three levels of government.
- Declining housing starts widen the supply-demand imbalances, which will over time push rents higher.

Conversely, reducing costs and unlocking capital will:

- Stimulate new home construction.
- Attract billions in private investment.

- Create jobs and generate tax revenues across all jurisdictions.

## Housing Policy Considerations

The housing market is in a crisis that matches the 1990s. Without action, the delivery of new rental and ownership housing will be challenged in 2027 and beyond. Urgent action is required to bring consumer-confidence back to the market and address the structural cost to build challenges.

In developing new housing policies, the federal government must:

- **Deliver on the goal to double housing starts.** 500,000 starts per year are required — far above the historic high of 300,000.
- **Maintain fiscal discipline.** Recognizing the federal government is currently seeking to substantially reduce operational costs to shrink the deficit and fund much-needed investments, policy designs should minimize costs while removing barriers to homebuilding, which boosts both housing supply and tax revenue. There is also a significant risk of increased government expenditures if the housing crisis continues.
- **Avoid stimulating demand for existing homes.** With price-to-income ratios above seven, the focus must be on lowering the cost of new construction and home purchases, not driving overall demand.

Our recommendations reflect these priorities.

## Immediate Priority Actions

### 1. Expand the GST/HST New Housing Rebate

Proposal:

- Maintain the current criteria for the GST rebate, while providing a temporary three-year expansion to rebate of 100% of the GST on new homes valued and those substantially renovated up to $1 million and a partial rebate for homes between $1 million and $1.5 million.

Impact:

- Reduces home prices by thousands of dollars, increasing affordability for middle-class families.
- Stimulates consumer confidence in a market where sales have fallen by as much as 90%, restoring activity and protecting jobs.
- This would be a time-limited and cost-effective measure, targeted at the segment of the market critical to restoring supply.
- A 2021 Bank of Canada study finds that, all else being equal, a 1% increase in price leads to a 2.2% increase in housing supply. The effect over the past three years has been significantly larger, likely due to a combination of rising costs (particularly interest costs) and a buildup of inventory. New housing supply is particularly sensitive to large, sudden declines in price resulting from demand shocks, as there is a price threshold at which building more homes becomes financially unviable, since prices are insufficient to cover costs. In other words, in absolute terms, the impact on supply is likely to be far larger when prices drop substantially compared to an equal-sized increase.

### 2. Implement a Direct-to-Buyer Development Charge Model

Proposal:

- Adopt a transparent billing model where DCs are charged directly to buyers rather than embedded in builder financing, with the following features:
  - Exempt DCs from HST on DCs and land/property transfer taxes.
  - Protect buyers from mid-stream DC increases.

Impact:

- Eliminates "tax-on-tax" (double taxation) and reduces financing costs, which can add tens of thousands of dollars to the price of a new home.
- Provides clarity and fairness for buyers while reducing risk for builders.
- Assist governments in achieving its goal of reducing development charges by 50% by providing transparency.

### 3. Provide GST/HST Exemption for Current Rental Developments and Adjust Foreign-Buyer Ban

Proposal:

- Exempt current rental developments currently under construction from GST/HST where they are not eligible for the GST rebate.
- Create a foreign-buyer ban exemption for new and pre-construction homes (similar to Australia with its defined conditions), unlocking billions in private capital.

Impact:

- This would unlock capital that could be used in future Purpose-Built Rental projects.
- Capital from all sources, both domestic and foreign is vital to achieving CMHC's stated objective of investing $1 trillion dollars to deliver much needed housing.

### 4. Capitalize the Apartment Construction Loan Program (ACLP)

Proposal:

- Ensure ACLP has sufficient resources to meet growing demand and speed up approvals.

Impact:

- Recapitalization of this successful program is necessary to ensure that all eligible projects can proceed.
- This will help address the structural deficit in rental housing.

## Additional Measures (Once Primary Actions Are Implemented)

While the first four recommendations are urgent, additional measures will be needed to create long term stability of supply in the Canadian housing market.

5. To accelerate the construction of new homes, tie federal infrastructure funding to pro-housing supply municipal reforms, such as accepting surety bonds in subdivision agreements and site plan agreements and implementing Edmonton-style automated approval programs.

6. To lower the price of new homes and increase the diversity of housing options available to Canadians, enforce the conditions set out in municipal Housing Accelerator Fund agreements.

7. To unlock much-needed global capital into housing construction, fully exempt real estate and housing-related infrastructure investment from the EIFEL rules, and conduct a full review of other federal housing-related taxes and regulations, including the OSFI mortgage stress test, to ensure they are designed appropriately for the current conditions.

8. To build much-needed missing-middle rental housing and to channel investor dollars towards new rental construction, launch consultations on the proposed MURBs tax provision this fall, with the goal of ensuring that rental projects that begin construction on or after January 1, 2026, are eligible for the tax provision.

9. To increase the capital available for MURBs tax provision eligible projects, create a time-limited incentive for investors who currently own non-purpose-built rental properties who sell the units and reinvest the proceeds into a project eligible for the MURB tax provision.

10. To enable condo construction to be financed after small-scale investor dollars have been shifted towards MURB-eligible projects, enable banks to reduce pre-sale requirements on new condo developments via federal backstop facilities.

## Conclusion

Our recommendations align with the federal government's commitment to:

- Catalyze private capital.
- Cut red tape.
- Lower the cost of homebuilding.

The proposed measures—particularly the four immediate actions—will deliver quick, measurable impact and set the stage for long-term solutions. Our industry stands ready to support these efforts.