



Budget 2017: CHBA's Overview

A Stay the Course Budget, but Lots on Housing

Budget 2017 has been described variously as a 'stay the course' and 'status quo' budget. The emerging consensus is the prospect of weak economic growth in Canada coupled with tremendous uncertainty about emerging tax and trade policies in the U.S. pushed the government to take a very prudent and limited approach to new policy initiatives and expenditures.

Few new expenditures were announced and most of these were offset by extending timelines on existing expenditure commitments. The net result was a 'stay the course' budget that in many cases reiterated and, in some areas reinforced, previously announced policy directions.

Notwithstanding the modest nature of Budget 2017, there were a number of housing-related elements of direct interest to the residential construction industry, many of which respond directly to recommendations put to the government by CHBA.

Here is a quick summary of the policy-related elements of the budget of interest to our industry.

No News is Good News: What Wasn't in the Budget

One significant aspect of this Budget was what was not included. Although the Budget document noted the continued high level of household debt in Canada, no additional measures were proposed to address this situation, including no further restrictions to mortgage lending. CHBA has strongly advocated against any further restrictions, and is pleased the Budget did not go down that path.

Instead, the budget recognized the importance of job and income growth in providing a more solid footing for Canada's middle-class. This emphasis on growth, which represents the most desirable antidote to issues such as housing affordability (since income growth has not kept up with house price growth at all), is most welcome.

There were also rumours before the Budget that the capital gains tax might be increased, but again, nothing to this effect was included in the Budget.

Better Housing Data

One of the most welcome housing-related announcements in the budget, and one that was a direct recommendation by CHBA, involves significant new investment in generating improved housing data. The government acknowledged that there are important gaps in current nationwide housing data, including the degree of foreign ownership, and in other areas such as detailed geographical data on homeowner demographic and financing characteristics.

Budget 2017 addresses these data gaps by providing \$39.9 million to Statistics Canada over five years to develop the Housing Statistics Framework (HSF). The Framework will draw on existing data from provincial-territorial land registries, property assessment programs and administrative records to create a nationwide database of all residential properties in Canada, and provide up-to-date data on purchases and sales. Statistics Canada will begin publishing initial data in the fall of 2017.

If this new Statistics Canada service lives up to its billing, it will address many of the data gaps that CHBA has been concerned about. This should support more informed policy-making by governments, and also provide our industry with a valuable new business planning tool.

Another data initiative will be led by the Canada Infrastructure Bank aimed at improving knowledge on the state of municipal and provincial infrastructure. While light on detail, this initiative may help put municipal infrastructure planning and financing on a more evidence-based footing.

Additional funds are also being provided to CMHC to improve data collection and analytics, and expand housing research with partners. This will also support better decision-making around housing policy, and speaks to the current shortcomings in CMHC data analysis work—like its Housing Market Assessment reports—an area where CHBA has been expressing alarm.

Infrastructure and Transit

The Government's established focus on infrastructure investment was made somewhat more specific in Budget 2017. No 'new money' was added to the \$21 billion previously announced, but some finer detail on where these funds will go was provided.

Moving beyond the short-term investment of \$3.4 billion made last year to assist in upgrading and improving public transit systems across the country, Budget 2017 re-commits \$20.1 billion over the next 11 years to help communities build the new urban transit networks and service extensions that will, in the government's words 'transform the way that Canadians live, move and work'. Up to \$35 billion of additional funding will flow through the new Canada Infrastructure Bank, suggesting significant private-sector involvement, much of which could involve transit.

CHBA has recommended to the government that this next phase of transit funding focus on investments that also support housing affordability and choice in communities, particularly in terms of transit-oriented development. CHBA will also continue to advocate that the Federal portion of the investment remain high for all infrastructure investment to limit municipal shares and the potential for increased development taxes. As the next phase on federal investment moves ahead, the Association, at all levels, will need to continue these efforts.

Energy Efficiency in Housing

The Budget provided Natural Resources Canada with \$67.5 million over four years, starting in 2018–19, to renew and continue existing energy efficiency programs. This measure supports CHBA's recommendation that federal initiatives such as the EnerGuide Rating System need reinvestment and a long-term commitment of federal support. This will support home energy labelling at the provincial level and important initiatives like the new ENERGY STAR for Multi-Family Buildings pilot.

Also of interest to our industry, \$182 million was allocated to retrofit existing federal buildings, build new net-zero energy consumption buildings across Canada, and develop the next levels of energy efficiency in the building code. Funds flowing to the code development process are of particular interest to CHBA, and we will be following up to ensure the importance of affordability is properly considered as building codes evolve. CHBA has been active on the Canadian Commission on Building and Fire Codes on this issue, and is actively working with NRCan to ensure the government invests in the necessary research and development that will be required to find affordable solutions to ensure that affordability is not sacrificed in the pursuit of energy efficiency.

National Housing Strategy

As expected, some elements of the emerging National Housing Strategy were included in Budget 2017, related mostly to previously-announced reinvestment in social housing. This included the anticipated investment of \$11.2 billion over 11 years in a variety of initiatives designed to build, renew and repair Canada's stock of affordable housing.

A new \$5 billion National Housing Fund was also announced. This additional funding opens the door to other innovative affordability measures not yet included in the plan.

Specifically, the Budget noted that a new co-investment fund will be established to pool resources among many housing partners, including governments, the private sector and community organizations, to prioritize large-scale community renewal projects.

Of potential interest to residential developers, the budget also announced the governments intention to invest \$202 million over the next 11 years to make surplus federal lands and buildings available to housing providers at low or no cost for the development of affordable housing. This may create opportunities for innovative mix-use development that incorporates assisted housing components.

CHBA has been clear that any National Housing Strategy must address the full housing 'continuum', including affordability of market rental and ownership housing, if it is to prove successful. Innovative approaches to assist those in housing need, such as a national Portable Housing Benefit, need to be included.

At present, the Strategy remains incomplete, and CHBA will continue to press for additional innovative elements to be included to address market-rate affordability and to support well-qualified first-time homebuyers. CHBA has been advocating on these issues directly, and through CHBA's participation of the National Housing Collective.

Fighting the Underground Economy

Budget 2017 nearly doubled the amount of funding to the Canada Revenue Agency (CRA) for fighting the underground economy and tax evasion. This follows an initial investment in this area in last year's budget. Some of the new money will be spent on hiring additional auditors and specialists with a focus on the "underground" cash economy, which includes the construction sector. CHBA views this investment as beneficial to the renovation sector of our industry, and CHBA will continue its engagement with the CRA Minister's Advisory Committee to ensure it does not create new red-tape for honest businesses but instead focuses on offenders. CHBA also continues to work closely with CRA via CHBA's *Get it in Writing!* campaign.