

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



August 7, 2020



REALTOR® Recommendations

- **RECOMMENDATION 1:** Create homes for Canadians across the housing spectrum by introducing a major housing stimulus program in partnership with Canadian industry to dramatically increase the supply of new homes.

This should include repurposing distressed properties through a new property acquisitions program.

- **RECOMMENDATION 2:** Incentivize provincial and municipal collaboration by emphasizing housing's place in infrastructure.
- **RECOMMENDATION 3:** Make Canadian homes more energy efficient by providing up to \$40,000 in interest-free lending for retrofits.



Introduction

As the devastating impacts of COVID-19 became clear in early 2020, Canada's first line of defence against the pandemic was to have Canadians stay home. Consequently, over the past months, many have reconsidered or renewed their relationship with the concept of home. Whether it be owned, rented, or in the most dire instance, absent, no one has been spared from reflecting on the meaning of home. While REALTORS® focus on market housing, they know that not everyone can buy a house, but that everyone deserves a place of refuge, health and safety that they can call home. That has never been more clear than now. With that in mind, REALTORS® and The Canadian Real Estate Association (CREA) are making recommendations as part of Pre-Budget Consultations in support of housing as both a way to keep Canadians safe and healthy, and a driver of economic recovery.

About CREA

The Canadian Real Estate Association (CREA) is one of Canada's largest single-industry associations. Our membership includes more than 130,000 real estate brokers, agents and salespeople, as well as 8,000 real estate brokers who are small to medium sized companies, working through 90 real estate Boards and Associations across Canada.

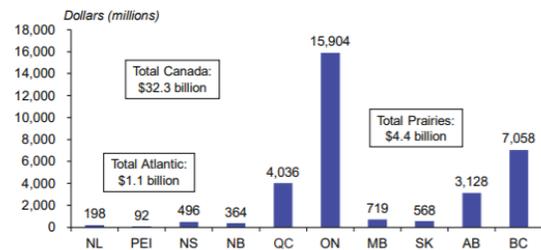
For more than three decades, our members have advocated on behalf of homebuyers, property owners and communities, and worked to promote policies that support a vibrant and sustainable housing sector.

CREA also proudly owns and operates Canada's No. 1 real estate website, REALTOR.ca, and sets high standards of professional conduct for REALTORS®, helping to protect Canadians' rights and interests through the REALTOR® Code.

Restarting the Economy Through Real Estate

According to Statistics Canada, real estate comprised 12.82% of Canada's GDP in January 2020.¹ The housing sector makes a significant contribution to the Canadian economy; resale housing transactions through the Canadian MLS® Systems generated an estimated \$32 billion in spin-off spending and created an estimated 234,015 jobs in 2018.

**Average Annual Spin-Off Benefits
Canada and Provinces, 2016-2018**



Note: Figures in this chart are rounded to the nearest million. The total may not add up due to rounding.

Source: Altus Group Economic Consulting based on Statistics Canada Input-Output Model

The International Monetary Fund projects a 6.2% contraction in Canada's gross domestic product this year.² As the threat of COVID-19 subsides and businesses open their doors once again, capitalizing on spin-off spending from housing transactions will be critical to Canada's economic recovery.

Despite ongoing financial uncertainty, REALTORS® continue to participate in the effort to stop the spread of COVID-19. Just as they have played their part in flattening the curve, they stand ready to take on a leading role in Canada's economic recovery.

Canada's real estate entrepreneurs and business owners have proven, through many recessions and indeed through COVID-19, that they are key drivers of real estate based economic activity. These past months, the adoption of virtual showing technology has driven new sales, despite

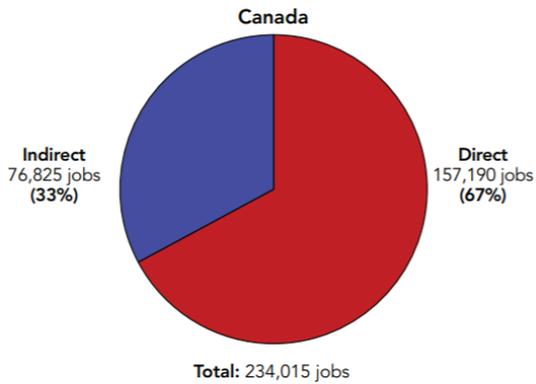
¹ 'Gross domestic product (GDP) at basic prices, by industry, monthly, growth rates (x 1,000,000)', *Statistics Canada* [website], <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610043402>, (accessed 26 April 2020).

² 'IMF sees 6.2% drop in Canada's 2020 GDP amid 'Great Lockdown'', Nicole Gibillini, *BNN Bloomberg* [website], 14 April 2020, <https://www.bnnbloomberg.ca/imf-sees-6-2-drop-in-canada-s-2020-gdp-amid-great-lockdown-1.1421246>, (accessed 26 April 2020).



the inability of REALTORS® to interact with customers in person. This commitment to customer service and innovation will be critical to a return to economic prosperity, and cannot be done without the business owners underpinning this important sector.

**Average Annual Direct and Indirect Jobs Created
Canada: 2016-2018**



Source: Altus Group Economic Consulting based on Statistics Canada Input-Output Model.



1. Create homes for Canadians across the housing spectrum by introducing a major housing stimulus program in partnership with Canadian industry to dramatically increase the supply of new homes.

This should include repurposing distressed properties through a new property acquisitions program.

Prior to the outbreak of COVID-19, CREA data indicated national resale housing inventory was at its lowest level since 2007, with availability considerably limited in Canada's major markets. New listings have fallen, and many markets remain constrained by the number of homes available for sale. Similarly, the availability of rental housing in many communities is severely constrained while homeless shelters are unable to keep up with need.

The COVID-19 pandemic has caused many organizations to reconsider their office space requirements, while the tourism industry has unfortunately been devastated by travel restrictions and necessary lockdowns. This has resulted in some un- or under-utilized properties being temporarily repurposed to meet community needs. Should this trend continue, resulting in an influx of distressed properties, there could be opportunities to create more housing supply.

In a report for the Canadian Alliance to End Homelessness, Steve Pomeroy, Senior Research Fellow at Carleton University Centre for Urban Research and Education, proposes an acquisition purchase program to facilitate purchases of properties that become available for the purpose of converting them into affordable housing units.

The Canadian Housing and Renewal Association (CHRA) has also proposed a property acquisition program that would provide a combination of loans and grants to community housing providers, enabling them to acquire properties in a manner similar to larger multinational corporations or real estate investment trusts.

While restricting access to community housing providers would create opportunity, allowing for-profit developers to access some of the funding through a property acquisitions program on the condition that a portion of the units be dedicated to below-market rentals would result in more capacity to create housing units. This could be achieved through partnerships with community housing providers.

These initiative could help achieve the objective of creating of 41,800 new units through the National Housing Strategy, while also addressing supply issues across the housing spectrum, thus helping the most vulnerable while simultaneously allowing more Canadians to gain stability and opportunity through homeownership, particularly for low- and middle-income families.

CREA is currently consulting with industry partners to provide details about the housing stimulus program and will bring this forward in the weeks ahead.

We support the creation of a property acquisitions program and advise broadening criteria to include for-profit developers who commit to dedicating a portion of the units created to below-market rentals, achieved through joint applications in partnership with community housing providers.



2. Incentivize provincial and municipal collaboration by emphasizing housing's place in infrastructure.

Addressing the issue of housing supply requires a coordinated effort between the federal government, provinces, territories and municipalities, as noted by CHRA in their proposal for a property acquisitions program.

With that in mind, Infrastructure Bilateral Agreements between Infrastructure Canada and provincial and territorial partners present an opportunity to encourage creation of more housing supply. Infrastructure Canada could add clauses to the agreements they negotiate requiring the creation of new housing indexed to population growth.

Requiring provinces to address housing supply as they allocate infrastructure funds will encourage a more balanced and sustainable approach to planning, while tackling inventory shortages that cannot be resolved by attempting to curb demand.

Infrastructure clauses requiring the creation of more housing will also incentivize a review of building codes and municipal restrictions that could facilitate the conversion of distressed properties into housing units, as proposed in the previous recommendation.

When municipalities plan for the future by creating more opportunities for homeownership, they invest in their communities by offering stability, identity and obligation by allowing residents to plant firm roots in their cities and towns.

CREA recommends including clauses in Infrastructure Bilateral Agreements with provincial and territorial partners requiring the creation of more housing.

3. Make Canadian homes more energy efficient by providing up to \$40,000 in interest-free lending for retrofits.

With Canadians adjusting to spend more time at home due to the COVID-19 pandemic, the long-term costs associated with homeownership have come into clear focus. This presents an opportunity to improve Canadian housing stock.

As the government looks to utilize large-scale infrastructure investments as an economic recovery measure, policymakers should keep in mind that in addition to roads and bridges, infrastructure is also homes.

As per directives in Ministerial mandate letters, now is the time to operationalize a plan to help Canadians make their homes more energy efficient and climate resilient. Of particular interest is the proposed \$40,000 in interest-free lending for home retrofits that could be delivered through a green renovation program.

While the proposal's initial focus was environmental benefits, there is now an opportunity to stimulate much-needed economic activity as Canada looks to recover from the devastating effects of the COVID-19 pandemic. A green renovation program would not only improve housing stock, it would create jobs and increase demand for building materials. Allowing for a broad scope of renovation projects to be eligible for the program would maximize uptake and reflect home-related needs heightened by the pandemic, such as additional living or working space. Programs such as these have also proven to be effective in combating the underground economy.

CREA proposes the government implement a green renovation program incentivizing homeowners to make energy efficient retrofits to their homes. It is recommended that government offer \$40,000 interest-free green renovation program as the policy vehicle to deliver this program.



Conclusion

CREA's recommendations to the Committee in advance of the 2021 federal budget reflect REALTOR® priorities as communities across Canada look to recover from the COVID-19 pandemic. While promotion of responsible homeownership and solutions for market housing have been the pillars of our advocacy in the past, this brief relays our membership's current priorities: protecting Canada's most vulnerable population and getting the economy up and running.

We believe implementing these recommendations will achieve both of those objectives, while also lowering emissions for existing housing stock through greater energy efficiencies, taking concrete steps to tackle climate change.

REALTORS® will always focus on helping Canadians find homes and look forward to presenting this Committee with policy solutions that make homeownership more affordable in the future. Today, we are focused on getting Canada's economy back on track so that we can do so again.

