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JANUARY 2026



OUT OF REACH

Unlocking Canada's housing affordability crisis

Report of the Standing Senate Committee
on Banking, Commerce and the Economy

The Honourable Clément Gignac, Chair
The Honourable Toni Varone, Deputy Chair



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The Committee Membership



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The Honourable
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Tony Loffreda



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Ex officio members of the committee:

The Honourable Pierre Moreau, P.C., or the Honourable Patti LaBoucane-Benson
The Honourable Leo Housakos or the Honourable Yonah Martin
The Honourable Raymonde Saint-Germain or the Honourable Bernadette Clement
(until December 31, 2025)
The Honourable Lucie Moncion or the Honourable Joan Kingston
(since January 1, 2026)
The Honourable Scott Tannas or the Honourable Rebecca Patterson
(until January 4, 2026)
The Honourable Flordeliz (Gigi) Osler or the Honourable Robert Black
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The Honourable Brian Francis or the Honourable Judy A. White

Other Senators who have participated in the study:

The Honourable Éric Forest
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Order of Reference

Extract from the *Journals of the Senate* of Tuesday, October 7, 2025:

The Honourable Senator Gignac moved, seconded by the Honourable Senator Al Zaibak:

With leave of the Senate and pursuant to rule 5-10(1), the motion was modified to read as follows:

That the Standing Senate Committee on Banking, Commerce and the Economy be authorized to examine and report on Canada's housing crisis and the challenges currently facing Canadian home buyers, with a particular focus on government taxes, fees and levies;

That the committee be permitted, notwithstanding usual practices, to deposit its reports on this study with the Clerk of the Senate if the Senate is not then sitting, and that the reports be deemed to have been tabled in the Senate;

That the papers and evidence received and taken and the work accomplished by the committee on this subject, between October 5, 2023, and November 23, 2023, during the First Session of the Forty-fourth Parliament under its order of reference relating to banking and commerce generally, be referred to the committee; and

That the committee submit its final report to the Senate no later than March 31, 2026, and that the committee retain all powers necessary to publicize its findings until 180 days after the tabling of the final report.

The question being put on the motion, as modified, it was adopted.

Shaila Anwar

Clerk of the Senate

Executive Summary

The Standing Senate Committee on Banking, Commerce and the Economy began its study on housing in October 2023 at a time when Canada was experiencing a deepening housing affordability crisis marked by rapidly rising home prices, limited supply, and increasing demand. Public concern intensified as homeownership became increasingly out of reach for many Canadians. Governments at all levels turned their attention to potential solutions and, in December 2023, the committee released an interim report containing ten recommendations aimed at improving housing affordability in Canada.

The committee resumed its study on 1 October 2025, focusing on the challenges currently facing Canadian homebuyers—particularly, the effects of government taxes, fees, and levies. Over nine meetings, the committee heard that many housing markets in Canada face a troubling paradox: homes are priced beyond buyers’ reach while construction and land costs have receded. Young Canadians, in particular, are coping with significant financial strain, with many feeling that home ownership is unattainable. The committee believes that the urgency of the situation calls for coordinated and coherent action among all stakeholders and levels of government.

This report provides a summary of witness testimony, committee observations and makes 12 recommendations for key policy changes necessary for reducing housing prices and increasing supply, supporting a robust housing sector and improving access to housing for all Canadians.

List of Recommendations

Lowering Prices and Increasing Supply

1. The federal government could consider providing a 100% Goods and Services Tax/Harmonized Sales Tax rebate on all new housing valued below \$1 million, with the rebate phased out for houses between \$1 million and \$1.5 million. Furthermore, the \$1 million price threshold should be indexed annually to inflation.
2. Where permitted by provincial/territorial legislation, the federal government require as a condition for providing infrastructure funding:
 - equivalent reductions in municipal fees where appropriate; and
 - provisions to ensure compliance and oversight such as performance metrics for municipal approval processes as well as assurances that services built by developers are not included in development charges.
3. The federal government work with provinces/territories and municipalities to ensure that all taxes, levies and charges are directly levied on purchasers and fully itemized to promote transparency and eliminate any “tax-on-tax.”
4. The federal government play a leadership role and work with provinces/territories and municipalities in developing best practices with respect to municipal approval processes and that financial incentives be used to ensure provinces/territories and municipalities adopt these best practices.

Cultivating a Robust Housing Sector

5. The federal government work with provinces/territories and municipalities to reduce reliance on development charges and explore alternative municipal funding models, such as allowing for:
 - the removal from development charges any capital works installed by the builder that could be substituted by fees;
 - the charging of fees by municipalities over time for repayment of infrastructure expenditures on revenue earning services such as water, wastewater, and electrical;
 - the use of tax-free municipal bonds; and
 - a more equitable distribution of costs among the different levels of government.

6. The federal government provide more regular, reliable, detailed and advanced population and immigration forecasts to provinces/territories and municipalities.
7. The federal government invest in a national housing data and accountability framework to track approvals, development charges, construction timelines, number of housing completions, fees, renovation outcomes, and affordability targets.
8. The federal government provide support to small and medium-sized enterprises in their efforts to modernize Canada's construction sector, with particular focus on their participation in modular and factory-built housing. It should also consider offering subsidies to create a demand for modular and factory-built housing in Canada.

Improving Access to Housing for All Canadians

9. The federal government explore whether renters should benefit from similar tax benefits as homeowners.
10. The federal government should consider a national home renovation tax credit to help update older homes, improve energy efficiency and accessibility, and support the creation of secondary or multi-unit suites to expand rental supply.
11. The federal government study whether regulation should be introduced to restrict the acquisition of residential rental housing by institutional investors.
12. In order to support the growth of the non-market housing sector, the federal government:
 - expand federal investment in the sector through direct funding, low-cost financing and partnerships with non-profits organizations, cooperatives and Indigenous housing providers;
 - implement a federal liquidity guarantee for non-profit and cooperative housing developers for deeply affordable units; and
 - facilitate the transfer of for-profit rental buildings to non-profit ownership through tax incentives, such as capital gains exemptions.

List of Observations

As a general observation, the committee acknowledges that the recommendations in this report have financial implications on government revenue and notes that further analysis would be required to fully assess their impact.

Other committee observations include:

- The federal government should encourage financial institutions to incorporate all rental income derived from the property to be accounted as income available for debt servicing. (page 29)
- The federal government consider reviewing the *Prohibition on the Purchase of Residential Property by Non-Canadians Act*, which implements the foreign buyer ban. As part of the review, the federal government could consider whether an exemption could be provided for non-Canadians that would use the property as their principal residence. (page 35)
- The federal government work with the Office of the Superintendent of Financial Institutions to review the continued relevance of the mortgage stress test in the Office's Guideline B-20. (page 44)

Introduction

The Standing Senate Committee on Banking, Commerce and the Economy began its study on housing in October 2023. At that time, Canada faced a deepening housing affordability crisis driven by rapidly rising home prices, limited supply, and surging demand. Throughout 2020 and 2021, low interest rates, increased household savings, and shifts in housing preferences during the pandemic intensified competition for homes across the country. Major metropolitan areas such as Toronto, Vancouver, Montreal, and Ottawa saw double-digit price growth, while smaller cities and rural communities also experienced unprecedented price increases as more people sought larger homes outside urban cores. This widespread demand placed additional pressure on markets that previously had been more affordable.

At the same time, housing supply lagged far behind population growth. Years of underbuilding had contributed to tight inventories and rising rents, despite a high share of Canadian investment being directed towards the residential housing sector. Investors purchasing multiple properties added further pressure, outcompeting many first-time buyers. For renters, vacancy rates dropped and rent increases accelerated, making it harder for low- and middle-income households to find consistent, safe and affordable housing.

Public concern grew as homeownership became increasingly unattainable for many Canadians. Governments at all levels began discussing solutions and, in December 2023, the committee released its interim report, containing ten recommendations with respect to the improvement of housing affordability in Canada.

The committee resumed its study on 1 October 2025, concentrating on the challenges Canadian home buyers currently face—especially the impact of government taxes, fees, and levies in the private home ownership market.

The committee heard that, since its interim report, improvements to housing affordability were observed, as prices began to fall, and population growth slowed. Also, the federal government announced its Housing Plan, which included the introduction of a new federal housing agency Build Canada Homes that will concentrate on the affordability of public and social housing; it also made housing commitments in the 2025 federal budget. Over the course of nine meetings, the committee heard from over twenty witnesses including federal government officials, developers and other representatives from the construction industry, private equity firms, think tanks, non-profit organizations, researchers and economists. Written briefs were also provided.

The committee also heard that, despite a slight improvement in affordability, many housing markets in Canada continue to face significant supply shortages driven by a fundamental contradiction: home prices remain out of reach for buyers, yet construction and land costs have receded. The committee believes that the urgency of the situation calls for coordinated and coherent action among all stakeholders and levels of government.

This report provides a summary of witness testimony, committee observations and recommendations for key policy changes necessary for reducing housing prices and increasing supply, supporting a robust housing sector and improving access to housing for all Canadians.

The crisis has been caused by imperfect public policy, meaning the right policy pivot can make a meaningful impact to make housing more affordable and available to all Canadians.

Jon Love, KingSett Capital

Lowering Prices and Increasing Supply

Witnesses agreed that the main solution to improving housing affordability in Canada is increasing supply and many stressed that policy changes should focus on increasing supply, rather than measures that would simply increase the amount of debt people can take on to buy a house. Many recognized that, while Canada has the highest share of investment going towards housing in the G7, housing continues to remain unaffordable.

Witnesses recognized the challenges the construction sector faces related to increasing the supply of housing such as labour shortages, rising costs, lack of regulatory harmonization and lengthy administrative delays. In fact, Mike Moffatt from Missing Middle Initiative stated that new home sales in the Greater Toronto Area have declined by more than 80% since 2021 and noted that significant declines have also been observed in Vancouver and Calgary.

At its core, housing affordability comes down to two variables: household disposable income and the cost of housing. Sound, pro-growth fiscal policy can improve the income side of that equation, but those gains take time to materialize. On the cost side, however, there are tools available today that could meaningfully reduce the upfront cost of new housing, protecting jobs and improving affordability almost immediately.

Jordan Kupinski, Windsor Private Capital

Expanding the Goods and Services Tax Rebate on New Housing

Several witnesses told the committee that if the federal government expanded the Goods and Services Tax/Harmonized Sales Tax (GST/HST) rebates that are available for new housing, this would have an immediate impact on reducing house prices and spurring new construction, as the GST/HST is the largest government charge on new homes. Derek Ballantyne of Boann Funds explained that in certain large markets, private development projects are not moving forward and reductions in GST/HST are critical to making these projects work.

The GST/HST rebates in question are:

- The GST/HST New Housing Rebate: This rebate, which has existed since the enactment of the GST in 1991, allows an individual to recover 36% of the GST or the federal part of the HST that was paid on a new, substantially

renovated, or owner-built house that will be owner-occupied. It applies to new housing up to a value of \$350,000, with the rebate phased out for homes valued between \$350,000 and \$450,000 which at inception in 1991 represented 95% of the houses being built.

- The First-Time Home Buyers' GST/HST Rebate: This new temporary rebate was introduced in June 2025 through Bill C-4, An Act respecting certain affordability measures for Canadians and another measure, which is at third reading in the House of Commons. It would apply to the same types of housing and has the same eligibility criteria as the GST/HST New Housing Rebate, but it is targeted to first-time home buyers who enter into an agreement of purchase and sale on or after 27 May 2025 and before 2031, although the date was changed to 20 March 2025 in the House of Commons. It would eliminate the GST on new homes valued up to \$1 million and would be phased out for homes valued between \$1 million and \$1.5 million.

Given that the GST/HST New Housing Rebate has not been updated since being enacted, many witnesses stated that it needs to be modernized to reflect current house prices. Mike Moffatt explained that the federal government originally intended to update the price thresholds in the rebate for inflation; however, to date, this adjustment has not been made. He noted that in 1991, almost all new homes in Ontario would have received a partial GST rebate, but today only a few in northern Ontario would be eligible.

David Wilkes of the Building Industry and Land Development Association indicated that the purpose of the GST/HST New Housing rebate was to ensure the GST was not a barrier to the affordability of new housing and that in 1991, 95% of new home buyers were eligible for the rebate, which is not the case today. He recommended that the federal government provide a temporary three-year expansion of the GST/HST New Housing Rebate to provide a 100% rebate of the GST on new homes and substantially renovated homes valued up to \$1 million, and a partial rebate for homes between \$1 million and \$1.5 million. He explained that setting the price threshold at \$1 million would account for the indexing to inflation that has not taken place, and that the \$1 million threshold would benefit most home buyers in Canada, except perhaps some buyers in high-cost markets such as Vancouver and Toronto. He also suggested that in those provinces where provincial sales tax applies on new housing, governments should offer a matching tax exemption.

With respect to the First-Time Home Buyers' GST/HST Rebate, Mike Moffatt argued that since first-time home buyers only account for about 20% of new home purchases, the new rebate should be expanded to include all buyers of new homes. Furthermore, he pointed out that the federal government can make tax changes very quickly, as compared to other types of policy changes. Robert Howe of Goodmans LLP and Mark McQueen of Wellington Growth Partners Inc. also supported expanding the new rebate to all buyers. Robert Howe noted that seniors

who are downsizing from their existing homes to new built homes would not be eligible for the new rebate, despite the fact that they are also impacted by housing unaffordability. Similarly, Mark McQueen stated that seniors who pay the GST/HST on a new condominium would not have those funds to finance their retirement, which could result in them not downsizing, thus reducing the housing inventory available for young couples.

When the GST at the time was first launched, then-Finance Minister Mike Wilson determined that it shouldn't apply to the necessities of life, such as groceries or drug prescriptions. Although the GST did apply on new home sales, which never made any sense at the time, it didn't kick in until the home cost more than \$450,000 in 1991. At that threshold, 95% of homes sold would be tax-free was the thinking. The government also promised that the floor would increase by 2% every year, which never happened. Instead of growing to about \$900,000 today, it remains at 1991 levels.

Mark McQueen, Wellington Growth Partners Inc.

In response to arguments that the new rebate has too narrow a focus, officials from the Department of Finance Canada indicated that the First-Time Home Buyers' GST/HST Rebate was designed to provide tax relief for those who are trying to enter the housing market and it will likely apply to about 47,000 units annually, however the industry counters this assumption that it will only create 15,000 units annually. It noted that the new rebate has a dual purpose: to encourage first-time home buyers to choose a newly built home rather than an existing house that is not subject to GST, and that the additional demand will spur the construction of new homes. Officials explained that the new rebate does not include other buyers as they have likely already been in the housing market for some time and have benefitted from the rise in housing prices and that it will take some time to see the impact the new rebate will have on the market.

The policy considerations around a first-time homebuyer rebate versus a broader rebate are very different. In this case, the government decided to go with a first-time homebuyer rebate, which is intended to target the relief toward people who are trying to enter the market rather than taking finite resources and allowing people to benefit from it who may have perhaps done quite well for themselves in the housing market already.

Amanda Riddell, Department of Finance Canada

The committee agrees that eliminating the GST/HST on new housing should have an immediate impact on improving housing affordability and recognizes the federal government's intent in introducing the First-Time Home Buyers' GST/HST Rebate. However, in the committee's view, having two different GST/HST tax rebates on new housing with slightly different criteria can be confusing for homebuyers. From a policy perspective, the First-Time Home Buyers' GST/HST Rebate should be available for all buyers of new homes, given that housing affordability is a problem that affects all types of homebuyers. Expanding the rebate would reduce transaction costs, stimulate housing supply and improve market mobility. There are also concerns over why the federal government has not indexed the original GST/HST New Housing Rebate to inflation, an idea that was first proposed in 1991. The committee believes that federal government should consider an updated, more simplified GST/HST tax rebate that provides immediate benefits to as many Canadians as possible in these challenging times.

Therefore, the committee recommends that:

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- 1. The federal government could consider providing a 100% Goods and Services Tax/Harmonized Sales Tax rebate on all new housing valued below \$1 million, with the rebate phased out for houses between \$1 million and \$1.5 million. Furthermore, the \$1 million price threshold should be indexed annually to inflation.**

Reducing Development Charges and Funding Infrastructure

Witnesses spoke about the impacts that government charges, particularly development charges, have on both tax fairness and the affordability of housing in Canada. Witnesses noted that, as the price of homes has risen in recent years, the scale and significance of development charges have also risen, bringing these charges to the forefront of discussions, particularly in Ontario and British Columbia. Peter Norman of the Altus Group noted the average level of municipal fees on a single-family home is \$200,000 in Toronto and less than \$10,000 in Moncton and Charlottetown.

Robert Howe explained that municipalities have three sources of funding: property taxes, municipal fees and charges, including development charges, and grants and subsidies from other levels of government. Daryl Keleher of Keleher Planning & Economic Consulting said that, in Ontario, development charges pay for additional infrastructure and services needed as a result of growth in nearly 20 different service categories, including roads, public transit, water, sanitary sewer, storm water, recreation, libraries, child care, waste diversion, planning studies, public health, long-term care and bylaw enforcement, as well as fire, police and paramedic

services, with the majority of the funding used for major infrastructure projects, such as transit, roads and servicing water, waste water and sanitary.

Matt Gemmel of the Federation of Canadian Municipalities emphasized that Canadian municipalities have very limited revenue tools and rely more heavily on property taxes than almost any other Organisation for Economic Co-operation and Development (OECD) country. He said that property taxes account for half of municipal revenue and 90% of their tax revenue, yet they do not grow with the economy the way income and sales taxes do. He further noted that, particularly in Ontario, municipalities have experienced a devolution of responsibilities without the funds or taxation powers to go along with them.

There are 16 different major markets across the country, and so having a national policy implemented on a national basis might not necessarily be the best fit for all the local markets, especially some of the local idiosyncrasies around development charges or permitting or what have you in specific cities.

Jason Jacques, Interim Parliamentary Budget Officer

Matt Gemmel also indicated that development charge structure and rates vary widely across provinces and even within provinces, because they are set under provincial legislation, and municipalities have different service responsibilities. He shared his opinion that federal commitments to incentivize municipalities to reduce development charges recognizes the importance of this revenue stream to municipalities and the need for federal assistance in this area. He emphasized that, given differences in municipal financing frameworks across the country, a “one-size-fits-all” approach to reducing development charges is not appropriate.

At the end of the day, what municipalities are really seeking is a new partnership with the federal government and the provinces and territories to shift the burden away from property taxes and development charges toward other sources of growth revenue, so more of a revenue-sharing model.

Matt Gemmel, Federation of Canadian Municipalities

Officials from the Canada Mortgage and Housing Corporation (CMHC) agreed that development charges have grown in their scope over time and what is being levied now is broader than the narrower intention of the charges, resulting in buyers of new construction funding items that benefit a much larger group of individuals

contrary to the principal of “benefit to existing” in the Ontario *Development Charges Act* yet exploited by numerous municipalities. David Wilkes also disclosed that Ontario municipalities had over \$12 billion of unspent development charge revenues in reserve and suggested that they spend the reserves immediately on housing supportive infrastructure.

[Development charges] started as an earmarked revenue for a specific project and, over time, they grew for a much broader mission of the municipal missions. One of the challenges with that is you actually focus a cost on a more constrained tax base, which is buyers of new units or new homebuyers, while the missions funded with development charges are much broader and benefit the whole of the tax base. That’s the core of the issue. Adopting practices such as general consumption taxes, property taxes or a pay-per-use type of scheme would actually distribute the costs in a much broader tax base.

Mathieu Laberge, Canada Mortgage and Housing Corporation

Daryl Keleher agreed with other witnesses that lower development charges would spur development and make a broader range of new housing construction possible that would not otherwise be feasible.

Witnesses also talked about the investments in infrastructure that are required for growth. Isabelle Demers from the Association des professionnels de la construction et de l’habitation du Québec noted that the updating of existing infrastructure is required in some cases for the purpose of newer infill development projects in some Quebec municipalities, resulting in an upward trend in development charges in a province where these municipal charges have been low historically.

In the same way that municipalities offer [development charge] DC reductions as incentives to encourage new housing, lowering DCs through structural change can be expected to spur development and make a broader range of housing developments feasible that may not be feasible otherwise.

Daryl Keleher, Keleher Planning & Economic Consulting

Witnesses spoke about the leadership role that the federal government could play in reducing the percentage of government charges that homebuyers pay on a new home purchase. Some witnesses suggested that funding and grants from the federal government for infrastructure projects could be used to offset corresponding

reductions in development charges. Robert Howe and David Wilkes emphasized that any grant funding provided by the federal government be legally tied to commitments from municipalities to provide corresponding reductions in municipal fees such as development charges.

The easiest way for the federal government to get involved is to assume some responsibility for funding major infrastructure, particularly transit, water and wastewater infrastructure and perhaps roads and other major categories of infrastructure as well. In doing so, ensuring that municipalities are legally required to reduce development charges in exchange for receiving those grants.

Robert Howe, Goodmans LLP

Jon Love from KingSett Capital agreed that the federal government should leverage federal funding to provinces/territories and municipalities to motivate the reduction in such charges. In fact, he emphasized that all government charges on new home builds should be removed. He estimated that, if the federal government were to contribute 50% of what the City of Toronto receives in development charges and the other 50% were to be made up by increasing property taxes, it would equal a property tax increase of approximately 1.5%.

Officials from Housing, Infrastructure and Communities Canada explained that the private sector regularly states that government charges are a large barrier to housing construction, and that the federal government committed in its Speech from the Throne to working closely with certain provinces/territories and municipalities to cut municipal development charges in half for all multi-unit housing.

They admitted that, in tying federal investment in water, wastewater, storm water and solid waste infrastructure to such reductions, as well as improvements in densification to reductions in development charges, some funding agreements have been unsuccessful. For example, they noted that negotiations for tied funding between the federal government and the provinces of Ontario and British Columbia, where development charges are particularly significant, had been unsuccessful and required the federal government to pursue other types of agreements. However, success was achieved in Toronto in the funding of the Blackcreek Sanitary Sewer which will lead to the lowering of development charges in that catchment area. They also noted that the federal government has done some work to develop best practices to assist in their work with provinces and territories in this area.

Matt Gemmel advocated for a revenue sharing model for infrastructure, similar to that of the Canada Health Transfer and the Canada Social Transfer that is indexed and linked to economic growth.

The committee agrees that, in some regions, development charges present a significant cost barrier, preventing a much-needed acceleration in housing construction. However, the committee is cognizant that municipalities rely on this source of revenue. The federal government is pursuing agreements to reduce these charges in exchange for funding of essential infrastructure, despite the provinces/territories and municipalities governing their own financial decisions. The committee also notes that federal funding for municipal infrastructure is the main tool available to the federal government to require reductions in municipal fees and boost accountability.

The committee would like to emphasize the urgency of the situation and urges the federal government to work with other levels of government and to use all the tools at its disposal to make crucial progress in this area.

Therefore, the committee recommends that:

2. Where permitted by provincial/territorial legislation, the federal government require as a condition for providing infrastructure funding:

- **equivalent reductions in municipal fees where appropriate; and**
- **provisions to ensure compliance and oversight such as performance metrics for municipal approval processes as well as assurances that services built by developers are not included in development charges.**

Increasing Transparency for Government Charges on Housing Prices

Witnesses spoke about the need for transparency with respect to government charges on new home construction. They argued that many government charges are currently hidden within home prices, leaving buyers unaware of their impact. They stressed that greater disclosure and transparency could help by making the costs visible and create pressure to reduce excessive fees.

Mike Moffatt explained that, in Ontario, provincial legislation requires municipalities to provide a development charge background study before charging development charges. These studies must list their infrastructure costs and determine what is growth-related (eligible for development costs) and what is “benefit to existing” (typically funded by property taxes) and that such determinations are somewhat subjective. Witnesses noted that these determinations are often argued and referred to the Ontario Land Tribunal. David Wilkes stated that municipalities should

ensure that such development charge background studies focus on areas uniquely required to support growth and suggested that a review of how growth funding tools are used across Canada and what are defined as acceptable charges should be undertaken to inform such decisions.

We make taxes visible in this country for a reason — it informs the consumer and promotes accountability. Why should [development charges] be any different in our opinion?

David Wilkes, Building Industry and Land Development Association

Officials from CMHC noted that they are working towards increasing transparency with respect to sources of funding in municipal budgets, which, according to them, have been trending away from provincial and federal and property tax sources of revenue and towards development charges.

Some witnesses spoke about a “tax-on-tax,” expressing that, in some cases, development charges are embedded into the final price of a new home, with sales and land transfer taxes being charged on that final price. They suggested that a fairer approach would be to charge development charges directly to the consumer as a separate bill paid at the time of closing.

[I]f we adopt a model that has a direct-to-consumer approach to development charges and if we treat it the same way as the GST, we could eliminate that tax on tax and make development charges exempt from sales taxes. I think that would be the right thing to do.

Mike Moffatt, Missing Middle Initiative

Officials from the Department of Finance Canada noted that a core feature of the GST is that it applies to the final price of a good, and therefore, it should be charged after development charges have been applied.

The committee recognizes the importance of transparency and fairness when it comes to taxation. It feels that listing all government charges separately for homebuyers may provide a degree of accountability with respect to government charges and allow buyers to better understand what they are paying for. The committee also agrees that taxes should not be charged on top of government charges.

Therefore, the committee recommends that:

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3. **The federal government work with provinces/territories and municipalities to ensure that all taxes, levies and charges are directly levied on purchasers and fully itemized to promote transparency and eliminate any “tax-on-tax.”**

Cutting Approval Times and Regulatory Burden

Lengthy approval times for new developments and onerous municipal regulations were identified by several witnesses as major barriers to building new housing.

According to Peter Norman, municipalities’ approval timelines in Canada are inadequate and inconsistent. He explained that developers often take two or three years before they submit a development application, as there are often back-and-forth discussions with the municipality to ensure an application will be accepted. He then noted that, upon receiving a completed development application, the average time that municipalities took to render a decision was 11.6 months, with some municipalities taking much longer, 31 months in Hamilton and 25 months in Toronto, and others much shorter, under five months in Saskatoon, London, Calgary, Charlottetown, Edmonton, Regina and Moncton. He also mentioned that once the development application is approved, the subsequent stages, such as getting the proper building permits in place, also take time. Robert Howe also shared that a high-density residential development will typically require rezoning and a site plan approval, which can take years to be approved. Mark McQueen noted that in his discussions with builders, it takes on average 11 years to build a new home or community from the time a builder first meets with municipal officials.

[The 2024 Municipal Benchmarking] study looked at the timeline that municipalities took to assess a development application, from the time they receive a completed application until they render a decision. On average this time was 11.6 months across the country, just under one year to assess the development application. In our assessment, this is excessive.

Peter Norman, Altus Group

David McKay from MHBC Planning, Urban Design and Landscape Architecture emphasized that delays in the approvals process equates to housing cost increases. He referred to an Altus Group report that found with a 100-unit apartment building, the delays in approvals cost approximately \$58,000 per unit in Ontario. He also cited recent CMHC studies which found that where regulations were complex and lengthy, for example in the Greater Toronto Area and the Greater Vancouver Area,

this resulted in housing becoming unaffordable; however, where processes were less complex and less time consuming, housing prices were lower, such as in the Prairies, Atlantic Canada and Quebec. In his view, these delays in approval are caused by antiquated regulatory regimes that are not able to meet the market demand; the approvals process becoming much more complex and bureaucratic, often with multiple approval processes that are not concurrent; having multiple review stages with competing objectives from different departments or agencies; and significant shortages in staff trained to review applications. Officials from CMHC also gave examples of cities that make a conscious effort to ensure the regulatory burden does not escalate. It highlighted Kelowna, B.C., which has adopted systems to ensure that one application can be integrated across different departments, and Edmonton, which due to its efficient approval processes, has the highest number of housing starts per capita in Canada.

What is under construction today was approved five to seven years ago, and those buildings were planned five to seven years before that. So we're dealing with a multi-year- or multi-decade-long process to get housing to occupancy. So we will never catch-up on the supply side to meet demand if we continue how we're going...

David McKay, MHBC Planning Urban Design & Landscape Architecture

Regarding excessive municipal regulations, Peter Norman explained that building code issues, land development standards and planning practices fall under the broad category of regulatory burden and that the prevalence of additional regulatory requirements has added to the underlying cost of development. Jon Love stated that regulation has grown exponentially in complexity, duplication and cost, and simple changes or approvals often take years to process. Similarly, Robert Howe indicated that the biggest issue with respect to development approvals is the processing of applications, as municipalities are always attempting to impose additional layers of regulation.

David McKay noted that when the provinces tried to improve the approval process system, some municipalities responded by forcing developers to go through another process before entering into the formal application process or slowed down the approval process by only accepting one application at a time. In his view, municipalities should not be gatekeeping development projects but instead facilitate housing and development. Derek Ballantyne also said that while some municipalities have introduced measures to reduce timelines and improved the zoning for certain types of housing, there are still obstacles, particularly in relation to using new technologies or different types of building materials.

A few witnesses discussed the federal initiatives that have been introduced to address lengthy approval times and excessive regulations introduced by municipalities. Officials from Housing, Infrastructure and Communities Canada spoke of the challenges with the federal Housing Accelerator Fund, an initiative that provides grants to municipalities to encourage densification and to help remove barriers to building, such as zoning restrictions and long approval timelines. It noted that some municipalities do not necessarily support development and have chosen not to participate in the Housing Accelerator Fund. Similarly, Mike Moffatt stated that while it is good in theory, the Housing Accelerator Fund is struggling when it comes to implementation, transparency and enforcement of the agreements between the federal government and municipalities.

Other witnesses also discussed ways to encourage densification, an issue that was highlighted in this committee's December 2023 interim report. Matt Gemmel agreed that there is a strong policy rationale to move toward increased density in certain communities, and that over the life cycle of infrastructure investments, it is more cost effective to have higher density as it should result in less taxation related to municipal infrastructure. Julie Di Lorenzo of Mirabella Development Corporation agreed, stating housing intensification on public infrastructure is fiscally efficient and provides positive tax revenue for municipalities through new property taxes. She also suggested that federal government programs, such as CMHC's Apartment Construction Loan Program or the Mortgage Loan Insurance Select, should prioritize development projects linked to public infrastructure. David McKay also proposed that the federal government could make transit funding conditional on provinces or municipalities increasing densification around transit. According to officials from Housing, Infrastructure and Communities Canada, densification requirements have been included in programs such as the Housing Accelerator Fund and the Canada Housing Infrastructure Fund. Officials from CMHC said that it is starting to see some success in cities that have adopted densification measures, such as approving the building of four- or six-plexes. However, Mike Moffatt noted that, while infill and densification are often needed, local opposition to zoning changes can often make densification politically challenging and often a lengthy, expensive process.

Regarding the federal housing design catalogue program that was introduced to make building easier and faster, Peter Norman indicated that while the program is moving in the right direction, he was not overly optimistic that using the design plans in the catalogue would result in significantly shorter approval times, as architectural matters are only one of many items that municipalities study and assess in an application.

If we do not accelerate housing starts as soon as possible, there will be a long-term shortage, and affordability issues will rapidly escalate into the next decade and severely limit economic prosperity.

Julie Di Lorenzo, Mirabella Development Corporation

New ideas to address problems with approval times and regulatory burden were also proposed by a few witnesses. David McKay suggested that the federal government take a leadership role in organizing a full-scale review of the development approvals process and bring industry leaders together to conduct studies and develop best practices, with some good examples seen in Calgary and Atlantic Canada. Moreover, he also said that the federal government should use financial incentives to encourage municipalities to adopt those best practices. He also argued that municipalities should rely on architects and civil engineers' certifications rather than repeatedly reviewing their accreditations, and that the federal government should support secondary education in the land-development disciplines and make this sector a priority for immigration purposes.

Many witnesses stressed to the committee that excessive delays in the approval process result in increased housing prices and these delays contribute to the housing affordability crisis. The committee recognizes that the federal government does not directly participate in municipal approval processes or municipal regulation, and therefore, it is difficult for the federal government to influence change in these areas. The committee reasserts that the main federal lever to promote improvements in processes at the municipal level and encourage densification is through federal funding for municipal infrastructure. Whether negotiations occur through the provinces/territories or directly with the municipalities, it will take time to find a successful funding formula that works on a national scale. However, at the same time, the federal government can play a leadership role in gathering the provinces/territories, municipalities and other relevant stakeholders together to expand and further develop the list of best practices to cut regulatory burden that has been started under the Housing Accelerator Fund, with particular focus on the development approval process. As noted above, financial incentives will likely be the best way to ensure the adoption of these best practices.

Therefore, the committee recommends that:

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- 4. The federal government play a leadership role and work with provinces/territories and municipalities in developing best practices with respect to municipal approval processes and that financial incentives be used to ensure provinces/territories and municipalities adopt these best practices.**

Cultivating a Robust Housing Sector

Witnesses noted that, not only do municipalities need to invest in new growth infrastructure to enable new housing, the costs of operating and maintaining existing infrastructure is also very high. Matt Gemmel estimated that the cost of renewing and replacing aging infrastructure in Canada to be close to \$270 billion.

Home prices are still far beyond the reach of most middle-class households, while the cost of construction remains stubbornly high. In many markets, the total cost of building now exceeds what families can afford. This creates a paradoxical situation where homes are both unaffordable for buyers and also uneconomic to build. The only sustainable path forward toward attainable prices and increased housing supply is to lower construction costs, which means, in part, lowering the taxes that drive those costs up.

Mike Moffatt, Missing Middle Initiative

Developing New Municipal Finance Models

Witnesses shared their views on various models for municipal financing and suggested options and best practices with respect to alternatives for development charges.

To be clear, this is not a silver bullet, but as we look at increases of development charges in some jurisdictions, we need to look at all available options, such as more debt financing, more private financing, including through the bond market, is one way to increase funding for infrastructure.

Matt Gemmel, Federation of Canadian Municipalities

Some witnesses spoke about encouraging municipalities to pursue alternative funding models for funding major infrastructure. These witnesses noted that water and wastewater infrastructure can comprise 50% or more of development charges and suggested that municipal service corporations, such as those in Quebec and some regions in the United States, could be established to borrow funds that would finance such projects, with the debt being paid off over time through user fees charged to homeowners who benefit. According to them, the current model of paying up front for the development charges requires an estimation of what the

projects will cost, whereas allowing them to be paid down slowly over time would allow for a correction for costs as they are incurred.

Peter Norman noted that development charges are a relatively new authority the municipalities levy to pay for new development and infrastructure in some regions, with Ontario being one of the first provinces to introduce development charge legislation. According to him, in the post-war period, infrastructure for new housing development was often financed by municipal borrowing that was paid off over time through property taxes. In contrast, he said, under the development charge model, new home buyers are borrowing money through their mortgages to pay these costs up front, often at much higher interest rates than a municipal government would face. Matt Gemmel explained that in Canada's system of fiscal federalism, municipalities cannot run deficits and that there is some provincial legislation that limits how much debt a municipality can take on relative to its tax base.

Under the current [development charge] DC model, the principal and interest costs associated with municipal debt used to finance capital works get embedded into DC rates. Those DCs are then paid by builders via the building permit, with those costs passed on through higher housing prices. This arrangement is highly inefficient and adds unnecessary risk to both municipal budgets by utilizing finite borrowing capacity and creates a burden should growth not occur as planned — also, individual mortgages, resulting in private mortgage holders paying principal and interest costs to pay for municipal principal and interest costs.

Daryl Keleher, Keleher Planning & Economic Consulting

However, witnesses also spoke about some of the methods that municipalities use to generate revenues and reduce costs. Matt Gemmel shared that Calgary and Edmonton debt-finance many of their infrastructure projects. He further suggested that the Canada Infrastructure Bank could play more of a role in funding housing-enabling infrastructure.

Isabelle Demers explained that responsibility for infrastructure is shared in Quebec between the province and the municipalities. Matt Gemmel noted that Quebec recently introduced legislation to allow municipalities to have greater flexibility on funding sources, such as having the ability to introduce a vehicle registration tax and to set different property tax rates based on the type and class of property.

Mike Moffatt spoke about municipal service corporations as an alternative municipal finance model that could assist in reducing municipal fees on new homes by taking on some of the fiscal responsibility of utility infrastructure. He used the

example of EPCOR, which is a utility corporation that manages the long-term financial planning, takes on debt and charges user fees for services such as electricity and water treatment in Edmonton and other cities.

Witnesses also spoke about municipal bonds, which are popular in the United States. Matt Gemmel explained that, in Canada, the interest earned from municipal bonds is generally taxable as income at the federal level, unlike in the United States where it is often tax-exempt and suggested that removing federal taxation from municipal bonds would generate more revenue for those municipalities whose legislation allows for such bonds to be offered.

The committee recognizes the enormous task that is being asked of municipalities in Canada in improving conditions to increase the housing supply to combat the affordability crisis. Municipalities are being asked to both update and expand current infrastructure and services to accommodate development while simultaneously reducing the charges that have been funding those works. The committee encourages the federal government to work with provinces/territories and municipalities to identify creative solutions that allow municipalities to provide these vital services.

Therefore, the committee recommends that:

5. The federal government work with provinces/territories and municipalities to reduce reliance on development charges and explore alternative municipal funding models, such as allowing for:

- the removal from development charges any capital works installed by the builder that could be substituted by fees;
- the charging of fees by municipalities over time for repayment of infrastructure expenditures on revenue earning services such as water, wastewater, and electrical;
- the use of tax-free municipal bonds; and
- a more equitable distribution of costs among the different levels of government.

Coordinating Policies and Solutions among All Levels of Government

Witnesses spoke about the need for information sharing and coordination among different levels of government as well as the importance of quality data when making policy decisions related to housing supply.

In a written brief, the MacDonald Laurier Institute stressed the importance of coordinating policies across different levels of government, stating that the use of financial tools such as infrastructure funding could be used by the federal government as both incentives and enforcement mechanisms to ensure that growth occurs within provinces/territories and municipalities.

Vince Gaetano of Owl Mortgage shared his perspective on policy misalignment among different government entities with respect to housing affordability. For example, he said that, although the Housing Accelerator Fund encouraged municipalities to add density within already developed neighbourhoods with additional housing such as garden suites, he said that some financial institutions would not recognize the value of these additional units or the rents they may generate in their underwriting process, creating difficulties in financing their construction.

As an observation, the committee suggests that:

The federal government should encourage financial institutions to incorporate all rental income derived from the property to be accounted as income available for debt servicing.

David McKay spoke about the recognition of the problem from municipalities and the progress that has been made in terms of approval processes. He went on to emphasize that, although provinces and municipalities may not want direction from the federal government, a coordinated effort is needed for the benefit of the country, particularly with respect to immigration. Derek Ballantyne stressed the importance of information sharing and collaboration between different stakeholders in the affordable housing space.

We know in housing there is no single order of government that has all of the solutions and all of the tools, nor does anyone have the comprehensive picture of what happens in each part of the marketplace. It's critically important that we have a better flow of information and better opportunity collectively to share that information.

Derek Ballantyne, Boann Funds

Rapid, unpredictable population growth driven, in part, by immigration has strained housing supply, according to witnesses, partly because municipalities and provinces have not received reliable forecasts from the federal government. Due to the lengthy nature of infrastructure approvals and construction, they were unable to plan infrastructure or approve enough housing in time as they did not receive

advanced warning. Nevertheless, witnesses also noted the importance of immigration in filling the skilled labour shortages that are affecting the rate at which housing supply is able to increase.

Jon Love indicated that Canada has never built more than 250,000 housing units per year and cannot realistically double that rate without significantly expanding the construction workforce. He argued for targeting newcomers and encouraging more Canadians to enter the trades. He also noted that limited business mobility in Canada reduces labour mobility, making it harder to respond to regional labour shortages.

Officials from the Department of Finance Canada acknowledged that strong population growth and housing shortages in the last few years have suppressed household formation, affecting economic activity. They suggested that there may be some “pent-up” demand for household formation that may be observed now that population growth has moderated and supply is increasing.

I would suggest that had this population increase been given more time and more announcement, and if municipalities had more time to plan, they could have changed systems and could have accommodated this growth.

Mike Moffatt, Missing Middle Initiative

The committee agrees that the federal government should provide municipalities and provinces/territories with reliable, advance population-growth forecasts, including immigration projections, to support effective housing and infrastructure planning. Sudden, unanticipated increases in immigration contributed to the current housing crisis by overwhelming local planning capacity, yet Canada now faces significant labour shortages that require continued immigration. To prevent future mismatches between population growth, housing supply, and labour needs, the federal government must improve forecasting transparency, coordinate closely with other levels of government, and ensure municipalities have the information needed to plan for both housing demand and workforce requirements.

Therefore, the committee recommends that:

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- 6. The federal government provide more regular, reliable, detailed and advanced population and immigration forecasts to provinces/territories and municipalities.**

Witnesses spoke about other data gaps that exist with respect to Canada's housing market, making it difficult for policymakers to design effective policy, measure administrative burdens, understand the full scope of costs or track affordability.

The Office of the Parliamentary Budget Officer highlighted the lack of consistent, national data on developer costs, regulatory burdens, and municipal compliance processes. The Office indicated that such data could allow policymakers to identify best practices and accurately assess where interventions would be most effective.

[W]e don't have a great deal of insight into the picture and the landscape of the housing industry and particularly how it is changing in real time and how movement of rent is happening and where affordability is being lost and so on and where we are losing social housing units, for example. We don't have a record of how that happens.

Derek Ballantyne, Boann Funds

Witnesses suggested that Canada lacks basic, reliable statistics on key aspects of housing such as unit size, land value relative to government charges, and the number of social housing units. They mentioned that while the CMHC and Statistics Canada provide some strong datasets such as on housing starts, newer datasets lack historical depth, limiting economic analysis. As a result, they noted that the private sector often relies on labour-intensive data-collection methods to fill gaps, which often results in region-specific, rather than national, data.

One of the challenges that is occurring when it comes to development charges is the current research that is public, not by CMHC but by external researchers, is focused on a few areas — for example, Ontario — and they are not national in nature, or are irregular in nature. That's something we're looking at. What we see is that that is variable across the different markets.

Mathieu Laberge, Canada Mortgage and Housing Corporation

Officials from Housing, Infrastructure and Communities Canada cited three key performance metrics that will be important for measuring success in its mission to improve housing affordability in Canada: increasing overall supply, reducing construction costs through enhanced productivity, and scaling up modular construction to at least 10% of the market. They also mentioned that Canada has

less housing stock that is identified as social housing, much lower than the OECD average.

The committee agrees with witnesses that quality policy making as well as policy evaluation relies on having quality data. Given the large investments that the federal government is making with respect to addressing housing affordability, the committee would like assurances that a thorough examination of the effectiveness of these programs is being done.

Therefore, the committee recommends that:

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- 7. The federal government invest in a national housing data and accountability framework to track approvals, development charges, construction timelines, number of housing completions, fees, renovation outcomes, and affordability targets.**

Increasing Productivity and the Adoption of Modular and Factory-built Housing

The lack of productivity and innovation in the construction sector was discussed by many witnesses, along with the benefits and challenges of using modular and factory-built housing, which is one of the primary objectives of the new federal housing agency Build Canada Homes. Officials from CMHC explained that construction is the second-least digitalized industry and Canada needs to adopt new technologies and less labour-intensive ways of building. They also stated that other countries have been building using modular and factory-built housing for decades and noted that the Swedish government created demand for this type of housing using subsidies in the 1960s. Isabelle Demers agreed with CMHC, in that the construction sector has not been forced to modernize and that having many small players in this sector is another reason for less innovation. She noted that there is little standardization and, therefore, it is difficult to make the investments towards roboticized approaches. She did suggest that due to the challenges Quebec's youth face in trying to enter Quebec's construction sector, the federal government could assist by encouraging modular builders to employ youth and other unskilled workers in their factories. Both Peter Norman and Matt Gemmel agreed that modular and factory-built housing could help drive down some construction costs and timelines.

There are innovative approaches available to us which other countries have been using for decades. Take modular and prefab housing, for example. It's just 1% of Canada's housing stock. If we look at Sweden, close to 80% of homes have at least one component built offsite. That shift didn't happen by accident. In the 1960s, Sweden used government subsidies to create baseline demand. Now, it's a widely adopted private-sector solution.

Mathieu Laberge, Canada Mortgage and Housing Corporation

Officials from Housing, Infrastructure and Communities Canada said a big challenge for the federal government is whether customers will accept it as a housing option, with some questioning its comfort and durability. It indicated that Build Canada Homes will have to create partnerships and collaborate with modular builders, provinces/territories and municipalities, and the federal government will have to use its procurement powers and play a role in showcasing these types of homes. It pointed out that not all of the modular housing projects would originate inside of Build Canada Homes and that modular housing companies were receiving interest from non-profit organizations as well as developers.

To increase supply, enable small businesses so they can adapt, grow and perform better. Reward innovation, a driver of productivity especially among smaller players.

Isabelle Demers, Association des professionnels de la construction et de l'habitation du Québec

The committee strongly welcomes the idea of boosting construction sector productivity through the adoption of innovative methods, such as modular and factory-built housing. This type of housing can play a role in decreasing construction costs and speeding up the delivery of housing. Furthermore, the participation of small and medium-sized businesses as well as other innovative companies in the construction sector, especially those that specialize in modular housing and green technologies, can help reduce the construction sector's carbon footprint and support the local economy. The committee suggests that the federal government prioritize this initiative.

Consequently, the committee recommends that:

- 8. The federal government provide support to small and medium-sized enterprises in their efforts to modernize Canada's construction sector, with particular focus on their participation in modular and factory-built housing. It should also consider offering subsidies to create a demand for modular and factory-built housing in Canada.**

Reconsidering the Foreign Buyers Ban

In 2022, the federal government enacted the *Prohibition on the Purchase of Residential Property by Non-Canadians Act*, also known as the “foreign buyers ban.” The statute prevents non-Canadians from buying residential property, which includes buildings with three dwelling units or less, in certain metropolitan areas until 1 January 2027. As explained by officials from Housing, Infrastructure and Communities Canada, the legislation was introduced in response to growing concerns that speculative international investment was contributing to rising house prices, particularly in high-demand urban centres. It noted that the objective of the legislation was to reduce pressure on the housing supply for Canadians.

Some witnesses suggested that the foreign buyer ban is too restrictive and should be reconsidered. According to Peter Norman, foreign investors were not a problem with respect to housing supply and that the foreign ownership of housing units in Canada is actually a very small percentage. Moreover, he argued that foreign investment in housing is in fact a positive factor, as it boosts housing development and helps provide rental housing, whether it be through purpose-built rental buildings or condominiums. David Wilkes said that while he understood why the legislation was put into force, he proposed that adopting the Australian foreign buyer ban rules, which allow non-Australians to purchase housing if it is to be used as a principal residence, would be a better approach than a complete ban. He pointed out that Canada needs to attract trillions of dollars in capital to the housing market in order to build the number of houses that need to be built. Jordan Kupinski of Windsor Private Capital suggested that the foreign buyer ban be limited to single-family homes and townhouses and argued that the current restrictions constrain access to capital for high-density housing.

On foreign investment, I'm not convinced that foreign investors were problematic to our housing supply-and-demand equation...

Peter Norman, Altus Group

As a few years have passed since it came into force, the committee believes that it is time that the federal government conduct a thorough review of the *Prohibition on the Purchase of Residential Property by Non-Canadians Act* and examine whether it has had a positive impact on housing supply for Canadians. The review should also determine whether restricting foreign investment in the housing market has had any negative consequences on the Canadian economy. The committee suggests that Housing, Infrastructure and Communities Canada immediately reach out to industry and other stakeholders to determine whether the foreign buyers ban should be repealed or whether an exemption should be provided for non-Canadians that would use the property as their principal residence.

As an observation, the committee suggests that:

The federal government consider reviewing the *Prohibition on the Purchase of Residential Property by Non-Canadians Act*, which implements the foreign buyer ban. As part of the review, the federal government could consider whether an exemption could be provided for non-Canadians that would use the property as their principal residence.

Improving Access to Housing for all Canadians

Strengthening the Rental Market

Although most witnesses spoke on housing affordability in terms of home ownership, some highlighted that high rental housing costs also play a role in Canada's housing crisis. Armine Yalnizyan, an economist, noted that the housing crisis is not only about owning a home, but it is also about the cost of renting, and that young people cannot enter the housing market if high rents prevent them from having savings.

Several witnesses expressed support for recent federal measures that lowered costs and promoted construction of purpose-built rental buildings. Mike Moffatt, David Wilkes and Derek Ballantyne expressed their support for initiatives such as CMHC's Apartment Construction Loan Program as well as the elimination of the GST/HST on purpose-built rental construction and an increase in accelerated capital cost allowance for rental properties. According to officials from Housing, Infrastructure and Communities Canada, Build Canada Homes will also oversee the \$1.5 billion Canada Rental Protection Fund, which when launched, would provide capital to the non-profit housing sector to acquire rental apartment buildings and preserve the affordability of rents over the long-term.

Home ownership is a cultural and economic reality, and something people strive for in this country, but more people are being left behind in the rental market and more people will be shunted to the rental market if we don't pay attention to what is happening.

Armine Yalnizyan, Economist

However, others pointed out the limitations of some of CMHC's programs. Derek Ballantyne stated that the main challenges with the Apartment Construction Loan Program is its restrictions on the size of projects and the uncertainty of whether the loan program would continue to be funded. Isabelle Demers mentioned that CMHC's current programs need to be maintained or enhanced. In particular, she noted that the Mortgage Loan Insurance Select program for the creation and preservation of affordable rental construction uses out-of-date affordability criteria and therefore needs to be reviewed.

Witnesses also spoke about their concerns with respect to the high costs of building rental housing. Jon Love stated that due to the excess level of taxation by all levels of government, some rental housing projects cannot move forward as they are not financially viable, since they would require rents far above today's market rents. He argued that taxes on new housing negatively affect both housing prices and rental housing costs. David Wilkes emphasized that condominiums play an important role in the secondary rental market and therefore this source of rental housing should not be ignored. With respect to short-term rentals, Peter Norman indicated that they are an additional housing need that municipalities should take into account when doing their planning exercises, similar to student or seniors housing.

We have many people of every age who feel shut out of the housing market, which is why it's such a political imperative for the government to fix this. Supply is important, but the cost is also fundamental. This fundamental issue is we tax housing at a level that makes it unaffordable.

Jon Love, KingSett Capital

There was some discussion on whether renters should receive some type of tax benefit in a similar way that homeowners do, for example, with the principal residence capital gains exemption. Officials from the Department of Finance Canada acknowledged that while tax relief has been provided for the construction of purpose-built rentals, there are no tax advantages for individual renters. Some

witnesses suggested options for tax relief that could help support various stakeholders in the rental market, including:

- David Wilkes indicated his strong support for the reintroduction of the multi-unit rental building (MURB) tax incentive, as it was an effective tool that could facilitate the construction of more rental housing. However, Jon Love said that the MURB tax incentive is not needed as there is sufficient capital in today's economy to support building rental housing.
- David Wilkes also spoke about temporarily providing GST/HST relief to developers for condominium units that have been built but not sold, if those units were brought into the rental market.
- To attract new investors, Jordan Kupinski suggested that the government should support accelerated expensing of construction costs for purpose-built rentals, similar to the tax treatment of exploration expenses in the resource sector through flow-through shares.

While witnesses have given the committee some ideas for additional tax relief in the rental market, in the committee's opinion, more research needs to be done to determine which tax policies are appropriate. Given the emerging trend of more Canadians possibly remaining in the rental housing market rather than becoming homeowners, the committee believes that the bias towards home ownership under Canada's tax system should be re-examined.

As such, the committee recommends that:

9. The federal government explore whether renters should benefit from similar tax benefits as homeowners.

Renovation was also discussed by some witnesses as a way to maintain current housing inventory, in particular with respect to rental housing. Isabelle Demers spoke about the benefits of renovating to preserve affordable housing stock and make homes more energy efficient, particularly in Quebec which has the oldest inventory of rental apartments in Canada. She suggested that there should be programs or incentives to accelerate the renovation of older rental apartments, as there is no immediate financial benefit to landlords in renovating their properties. David McKay noted that it can often be much cheaper to tear down a building than to renovate it. He suggested that financial incentives as well as "density bonuses," which are incentives provided by municipalities to allow developers to increase the density of a development beyond the current zoning restrictions, could be used to encourage developers to renovate older buildings. With respect to commercial real estate, Peter Norman stated that there is a patchwork of regulatory environments across the country with respect to conversions or redevelopments of unused, older

office buildings, and that many municipalities are reluctant to allow those conversions to go forward in case the office space is needed in the future. He indicated that it is critical for governments to acknowledge that the country has two parallel crises of having 100 million square feet of functionally obsolete office space but also a shortage of residential housing. He believes that there should be a better regulatory system for making quick decisions on office conversions or developments if the owner wants to pursue it.

With respect to government support for rental renovations, Armine Yalnizyan noted that the federal government previously had programs that supported the repair of existing rental housing, and while this did not increase rental stock, it improved living conditions for renters. Officials from Housing, Infrastructure and Communities Canada noted that the Canada Rental Protection Fund, which will be overseen by Build Canada Homes, could be used, once it is launched, to keep more of that rental stock available through renovations.

The committee agrees that preserving and improving the quality of the current housing stock is an important factor in maintaining Canada's housing supply. Incentivizing homeowners and landlords to renovate their older properties would be a way to ensure housing is modernized, energy efficient and accessible, with an additional benefit of possibility expanding rental supply through the creation of secondary suites in existing homes.

As such, the committee recommends that:

10. The federal government should consider a national home renovation tax credit to help update older homes, improve energy efficiency and accessibility, and support the creation of secondary or multi-unit suites to expand rental supply.

Armine Yalnizyan suggested that guardrails on private investment be considered for older rental apartments and long-term care homes that are coming on the market in order to preserve affordable rental housing stock. In her view, if domestic and foreign private equity and institutional investors acquire a greater share of older rental buildings, they could set rents at a higher rate, or these rental units could be removed from the affordable housing inventory. However, other witnesses stressed that Canada needs more private investment in the housing sector, from sources such as venture capital, pension funds or private wealth funds.

Although witnesses and committee members were not aligned in their view on private investment's role in the housing market, some committee members have concerns that the concentration of the residential stock in the hands of private investors could increasingly transform rental properties into financial products with a speculative purpose, which could result in an unjustified increase in rents. To

mitigate these effects, the federal government should determine whether regulating the acquisition of residential rental housing by institutional investors should be considered, particularly in urban areas where there is a scarcity of housing.

Therefore, the committee recommends that:

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- 11. The federal government study whether regulation should be introduced to restrict the acquisition of residential rental housing by institutional investors.**

Supporting Non-market Housing

While most witnesses spoke about their concerns with respect to housing affordability in the private housing market, some witnesses told the committee about the challenges the non-profit sector faces in building non-market housing, which is housing typically provided through governments or by non-profit organizations, and includes affordable, community, cooperative, supportive and transitional housing and shelters.

Jeremy Read from the University of Winnipeg Community Renewal Corporation & UWCRC 2.0 Inc. indicated that his organization uses a mixed-income housing model, where there are market and non-market housing units in the same building, with community housing units scattered throughout. He noted that this is important to reduce the stigma associated with low-income housing. He also said that mixed-income housing helps ensure housing security, as families do not need to move from their unit if their household income rises. David McKay agreed that mixed-income housing projects, which typically include partnerships between the developer and government, are working and are successful. Derek Ballantyne stated that affordable housing only accounts for about 4% of total housing inventory in Canada, which is lower than the high of 7% that was achieved in the early 1990s. In his opinion, 10% of the 500,000 homes that the federal government states need to be built each year should be in the non-market category or targeted to low-income households, whether they are built by the private or non-market sector.

With respect to challenges that non-profit housing organizations face in accessing capital, Derek Ballantyne stated that while there is capital available in large markets, it is difficult to access capital and private investment in the smaller secondary markets, which also often have higher costs for materials and delivery. He noted that most private capital has come from individuals and philanthropic sources, but institutional investors are hesitant, as they are often concerned over the perceived risk of the projects not meeting return thresholds. In his view, federal lending guarantees are a tool that can help capital flow in smaller markets and in non-market housing projects, which does not necessarily require federal government expenditure.

Jeremy Read told the committee that in addition to the programs available from CMHC for affordable housing, the committee should consider new financial instruments, such as short-term bridge financing that is backed by federal loan guarantees, that would create greater liquidity for non-profit housing organizations in the early and late stages of housing development. He explained that this financing would be similar to Export Development Canada's Export Guarantee Program. He also said the National Housing Strategy should have an acquisition fund to help non-profit organizations in acquiring property.

He also suggested that the federal government could introduce investment tax credits to further encourage capital investment in the non-profit housing sector, as well as capital gains exemptions to encourage the sale of unproductive, aging private sector assets to charities or non-profit housing organizations, referred to as "public-interest-property transfers." In his view, these tax incentives could result in the private sector having additional capital to reinvest in building new housing, the non-profit housing sector accumulating asset-based wealth and therefore increasing its ability to provide affordable housing, and reducing the demand on government to make equity investments in non-profit organizations. Derek Ballantyne agreed, stating that finding mechanisms to support the transfer of assets from private ownership to non-market ownership is critical to maintaining the inventory of affordable housing.

In the private sector, I think there is a challenge on moving — or some turn — in assets related to capital gains. That means that in many properties, the equity gets stuck and it becomes unproductive in that classic Adam Smith sense. It accumulates, it sits there, but it doesn't get put back into the economy and reinvested at a good rate for our overall economy and in creating new housing supply.

Jeremy Read, University of Winnipeg Community Renewal Corporation & UWCRC 2.0 Inc.

Many witnesses also discussed Build Canada Homes, the new federal housing agency that was launched in September 2025. Officials from Housing, Infrastructure and Communities Canada explained that, with an initial capitalization of \$13 billion, Build Canada Homes will focus on the non-market sector and build affordable housing at scale on federal land, provide financing to affordable home builders, and modernize Canada's homebuilding industry. It will also build transitional and supportive housing for people who are homeless, oversee the Canada Rental Protection Fund, and encourage the transformation of community housing into mixed income/mixed rent housing.

I think Build Canada Homes is very much focused exactly on the non-market sector and trying to grow that community. The government has very much recognized that this is where we see market failure. The private sector builds 95% of all of our housing, and what we're really focused on doing here is trying to bolster that community housing sector to deal with the inequities that currently exist.

Janet Goulding, Housing, Infrastructure and Communities Canada

While most witnesses voiced support for the creation of the new federal agency, some questioned whether Build Canada Homes would meaningfully contribute to addressing Canada's housing needs. Matt Gemmel said he was encouraged by Build Canada Homes' focus on non-market housing, as Canada lags behind other OECD countries in terms of the percentage of housing inventory that is community housing. In his view, putting together public lands and modular housing could be a quick and cost-effective way to provide housing, particularly to people experiencing homelessness. However, he suggested that Build Canada Homes alone would not be able to build the 500,000 housing units needed each year and was concerned that the amount of funding in budget 2025 was not the same as the \$13 billion that was announced when Build Canada Homes was launched. Jon Love expressed similar thoughts, noting that although he thinks that Build Canada Homes is an interesting initiative, he does not believe that it alone will deliver the number of homes Canada needs. Mark McQueen told the committee that building homes on federal lands is not always easier, citing as an example the Department of National Defence's Jericho Beach site, which was first proposed for residential development in 1990 and will only have residents moving into new homes around 2030. In its December 2, 2025 report, the Parliamentary Budget Office also indicated that Build Canada Homes is only expected to make a "modest contribution" toward housing supply and affordability, as it is expected to add about 26,000 units over five years, representing a 2.1 per cent increase in housing completions relative to the Parliamentary Budget Office's baseline projection.¹

With the introduction of a new federal housing agency, few witnesses reflected on the current mandate of CMHC and whether more of its focus should be on housing affordability. Jon Love proposed that CMHC could provide guarantees on single-family home ownership and play a role in funding deeply affordable housing. Isabelle Demers stated that there should be clarity over the roles of Build Canada Homes and CMHC and that there should be no duplication between their roles as this could create difficulties for developers; furthermore, she stated that no CMHC

¹ Office of the Parliamentary Budget Officer, [*Build Canada Homes and the Outlook for Housing Programs under Budget 2025*](#), December 2nd, 2025.

programs that support and promote affordable housing construction projects should be eliminated. In a written brief, David Graham of Atlantic Developments Inc. stated that CMHC should not be making a profit on its services and suggested that a strategic review of its mandate be done.

The committee recognizes that a range of tools may be needed to support the non-profit housing sector and suggests that the federal government work closely with this sector to determine how it can best help it grow Canada's affordable housing stock. Notably, providing a tax incentive to encourage the transfer of aging rental buildings from the private sector to non-profit housing organizations would mirror existing provisions for cultural property donations or cultural gifts in the *Income Tax Act*. As Build Canada Homes has just been launched, the committee looks forward to studying in the near future whether the agency will achieve its objectives in supporting the non-market housing across the country.

Therefore, the committee recommends that:

12. In order to support the growth of the non-market housing sector, the federal government:

- **expand federal investment in the sector through direct funding, low-cost financing and partnerships with non-profits organizations, cooperatives and Indigenous housing providers;**
- **implement a federal liquidity guarantee for non-profit and cooperative housing developers for deeply affordable units; and**
- **facilitate the transfer of for-profit rental buildings to non-profit ownership through tax incentives, such as capital gains exemptions.**

Revisiting the Mortgage Stress Test

Witnesses spoke about challenges some homebuyers face obtaining financing in today's housing market.

The Office of the Superintendent of Financial Institutions (OSFI) obliges federally regulated lenders to apply a stress test to individuals applying for mortgages, called the Minimum Qualification Rate (MQR), which can be found in OSFI's Guideline B-20. For uninsured mortgages, this means borrowers must prove they can afford a rate that is the higher of their actual rate plus 2% or the 5.25% minimum rate. In November 2024, OSFI eliminated the stress test requirement for both insured and uninsured mortgages when a borrower is renewing with their original lender for the same loan amount and amortization period. Given affordability concerns in today's housing market, some witnesses postulated on the current appropriateness of the test.

Peter Routledge, the Superintendent of Financial Institutions, explained that while the stress test served an important role in lowering incidences of default when interest rates were low and home prices were rising rapidly, it was less successful in reducing other types of risk. However, OSFI has since implemented an additional safeguard, a loan-to-income limit. This measure targets risk concentration within banks rather than individual borrowers, and OSFI believes it may better prevent the buildup of highly leveraged loans. With this new mechanism in place, the agency is considering whether the flow limit could replace the stress test entirely or serve as a complementary tool.

He stated that OSFI plans to consult with the financial industry in early 2026 to determine whether OSFI should continue prescribing the test or allow lenders to self-regulate. He acknowledged that removing the stress test could make financing more accessible but noted that its primary benefit of reducing default rates remains valuable. He suggested that, even without a federally mandated rule, most banks would likely continue applying some form of stress test in their underwriting processes.

Jon Love and Vince Gaetano both noted that individuals who do not meet the stress test requirements may face higher borrowing costs and less security since they may choose to borrow from an alternative lender at higher interest rates. Vince Gaetano called for the elimination of the 2% stress buffer on five-year fixed-rate mortgages and for adjustments to shorter-term and variable-rate products while Jon Love suggested that the downpayment requirement be reviewed.

Failing the stress test is a financial jail sentence as it forces borrowers to alternative and subprime lenders.

Vince Gaetano, Owl Mortgage

When asked about whether OSFI's loan-to-income limit should replace the stress test, Vince Gaetano argued it would be even more restrictive, comparing it to "wearing a life vest in a bathtub." Instead, he advocated a return to the 5.25% qualifying rate, which he said effectively maintained low delinquency rates. Finally, Isabelle Demers also asked that the stress test be replaced or modified.

Mike Moffatt spoke about the decisions that developers and banks make when deciding whether to apply for and grant loans for new housing development projects. According to him, developers are facing lower profit margins in the current environment of high government charges and high costs. Consequently, fewer loans are being granted and supported by CMHC.

While the committee recognizes the importance of focusing on measures that increase supply, it also recognizes the importance of access to reliable and affordable financing for homebuyers. It notes that OSFI's new loan-to-income limit provides an extra layer of protection to the financial system as a whole. The committee suggests that the federal government, along with OSFI, study whether the stress test should be removed in order to improve access to financing for Canadians.

As an observation, the committee suggests that:

The federal government work with the Office of the Superintendent of Financial Institutions to review the continued relevance of the mortgage stress test in the Office's Guideline B-20.

Conclusion

The committee's 2023 interim report on housing affordability was a first step in identifying the factors that may be influencing housing prices in Canada and determining ways in which the federal government could improve housing supply.

The committee's most recent meetings have demonstrated that the housing crisis has evolved, with residential housing development being shut down in certain regions due to home prices being so high that they are out of reach for most prospective homebuyers. Young Canadians are losing hope that one day they could own their own home, an aspiration that older Canadians have taken for granted.

It is clear that all levels of government have contributed to housing unaffordability through elevated government charges on new housing, excessive delays in approvals, high regulatory burden and poor alignment of housing solutions. Consequently, each level of government must take responsibility and do its part to bring down prices, make coordinated and deliberate steps to increase housing supply, and ensure Canadians can access housing without being burdened with high levels of debt.

The committee strongly urges all levels of government to act swiftly to implement these recommendations.

Appendix A – Witnesses and Briefs

Wednesday, October 1, 2025

Janet Goulding, Deputy Minister, Housing Infrastructure and Communities
Canada

Paul Halucha, Deputy Minister, Housing Infrastructure and Communities
Canada

Thursday, October 2, 2025

Jason Jacques, Interim Parliamentary Budget Officer, Office of the
Parliamentary Budget Officer

Caroline Nicol, Advisor-Analyst, Office of the Parliamentary Budget Officer

Louis Perrault, Director of Policy, Office of the Parliamentary Budget Officer

Wednesday, October 8, 2025

Matthew Boldt, Acting Senior Director, Housing Finance, Financial Sector
Policy Branch, Department of Finance Canada

Brigitte Desroches, Director General, Economic and Fiscal Policy Branch,
Department of Finance Canada

Mathieu Laberge, Chief Economist and Senior Vice-President, Housing
Insights, Canada Mortgage and Housing Corporation

Nadine Leblanc, Interim Chief Financial Officer and Senior Vice-President,
Policy, Canada Mortgage and Housing Corporation

Amanda Riddell, Director, Real Property and Financial Institutions, Tax Policy
Branch

Mark Walsh, Senior Director, Savings and Investments Section, Tax Policy
Branch, Department of Finance Canada

Thursday, October 9, 2025

Alex Beheshti, Senior Researcher Associate, Missing Middle Initiative

Jon Love, Chief Executive Officer, KingSett Capital

Mike Moffatt, Founding Director, Missing Middle Initiative

Wednesday, October 22, 2025

Derek Ballantyne, Chief Executive Officer and Managing Partner of New Markets Funds, Boann Funds

Peter Norman, Vice President and Economic Strategist, Altus Group

Jeremy Read, Chief Executive Officer, University of Winnipeg Community Renewal Corporation & UWCRC 2.0 Inc.

Thursday, October 23, 2025

Robert Howe, Partner, Municipal and Land Development Group, Goodmans LLP

Daryl Keleher, Principal, Keleher Planning & Economic Consulting Inc.

David Wilkes, President and Chief Executive Officer, Building Industry and Land Development Association

Wednesday, October 29, 2025

David McKay, Partner and Vice President, MHBC Planning Urban Design & Landscape Architecture

Armine Yalnizyan, Economist and Atkinson Fellow on the Future of Workers, As an individual

Thursday, October 30, 2025

Julie Di Lorenzo, President and Chief Executive Officer, Mirabella Development Corporation

Vince Gaetano, Principal Broker and Owner, Owl Mortgage

Jordan Kupinsky, Partner, Windsor Private Capital

Mark McQueen, Founder, Wellington Growth Partners Inc.

Wednesday, November 5, 2025

Isabelle Demers, Vice President – Strategic Development, Public Affairs and Innovation, Association des professionnels de la construction et de l'habitation du Québec

Matt Gemmel, Executive Director, Policy and Public Affairs, Federation of Canadian Municipalities

David Goulet, Economic Director, Association des professionnels de la construction et de l'habitation du Québec

Briefs are available online at sencanada.ca/en/committees/banc



sencanada.ca

