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The Hon. Francois-Phillipe Champagne
Department of Finance Canada
90 Elgin Street
Ottawa ON K1A 0G5
yourbudget-votrebudget@fin.gc.ca

Re: Federal Pre-Budget 2025 Consultation

Since 1972, the Urban Development Institute (UDI) has been the leading non-partisan voice of British Columbia's real estate development sector. With more than 900 corporate members, we represent thousands of professionals across the full spectrum of land development and planning, including developers, planners, architects, lenders, lawyers, engineers, property managers, appraisers, brokers, local governments, and government agencies. Our offices in Victoria, Vancouver, and Kelowna anchor our advocacy for data-driven policies that deliver a consistent, transparent, and efficient regulatory framework to support the Province's growth and prosperity as well as expedite the delivery of new homes for British Columbians as cost effectively as possible.

Canada's housing market is entering its deepest downturn in decades, with both affordability and economic stability at risk. Housing starts are down more than 60% in key markets. Greater Toronto Area has posted the lowest home sales in 40 years. In Metro Vancouver, 22% of Q1 2025 land sales over $5 million were court-ordered, more than double last year, with three of the four largest 2024 residential land transactions being court-ordered sales. Unsold condo inventory is on track to rise by over 60% this year. Presale absorption rates remain well below the 60–70% lenders require to finance construction.

This is not a typical market cycle. It is a systemic breakdown. We are facing a cost of delivery crisis with the cost of building now exceeding what most households can afford to pay or rent. Without decisive federal action to restore demand, unlock capital, and streamline delivery, Canada risks permanently losing homebuilding capacity which provides the country with 170,000 jobs and $17 billion in annual wages. Already our members as well as builders, construction companies and professional firms in major markets are laying off a significant number of employees.

UDI supports several recent proposals from the Canadian Homebuilders' Council and highlights the following priority measures:

1. Support Market-Rate Rental Housing

Federal programs must support all forms of rental construction, not only below-market housing. Market-rate rental strengthens affordability through:

- **Supply Effects**: Growth in purpose-built rental (PBR) supply in Metro Vancouver and the GTA has, for the first time since COVID-19 restrictions ended, contributed to measurable declines in asking rents.
- **Filtering**: As CMHC notes, new higher-end rentals enable higher-income households to vacate older units, increasing affordability in the existing stock over time.

Two programs that have driven most new PBR over the past decade—the Apartment Construction Loan Program (ACLP) and CMHC's MLI Select—have seen ongoing eligibility changes that undermine their effectiveness, forcing reliance on inadequate conventional financing. Without reforms, many MURB-program projects may not launch at all because of a lack of adequate financing options.

Recommendations:

- Recapitalize ACLP and MLI Select and restore their original eligibility criteria - especially removing MLI Select's 75% loan-to-cost leverage holdback.
- Extend GST/HST exemptions to approximately 75,000 rental units already under construction before September 2023 and thus excluded from the rebate.
  - Provide a full exemption if the GST/HST payable is reinvested in new PBR within two years, and/or
  - Apply a pro-rated rebate based on percentage completion at announcement.

2. Unlock Private Investment in New Housing Supply

Canada's multifamily model relies on 60–70% presales to secure financing. This model has been significantly hindered by the departure of foreign buyers and domestic investors, who have played a critical role in enabling housing supply including secondary rental housing units in key markets.

Recommendations:

- Establish a federal guarantee or contingent liability facility allowing Schedule A banks to finance projects with 30–40% presales.
- Amend the foreign buyer ban to allow investment in newly built homes with a five-year rental covenant.
- Introduce a Canada Housing Reinvestment Tax Deferral (like Section 1031 in the U.S. *Internal Revenue Code*) to allow reinvestment of proceeds from existing rental sales into new housing without immediate capital gains taxation.
- Extend the proposed EIFEL exemption to include strata condo projects, which – like purpose-built rentals – are highly leveraged.

* Include incentives in the MURB redesign for homeowners to add long-term rental secondary suites or infill units.
* Permit residential rental properties to be held in RRSPs.

3. Contain Costs Through Building Code

Construction costs have significantly outpaced inflation due to ever increasing standards in each code cycle. These high costs are impacting the delivery of all housing – whether it is provided by the private sector, non-profits or governments.

While maintaining safety and sustainability standards is critical, the current pace of code changes is unsustainable and directly undermines housing affordability. In most cases, we are finding these new requirements are costing far more than the minute improvements they provide homebuyers and renters.

Recommendations:

* Review the cumulative cost impact of *National Building Code (NBC)* changes over the past decade to better understand the growing impacts the *Code* is having on increasing the cost of new housing.
* Refocus the *NBC* development process from adding to new requirements (unless there are clear health and safety issues that need to be addressed) to relaxing/removing standards that add cost without materially impacting health and safety as well as researching/codifying more cost-effective approaches for proponents to achieve compliance.
* Require transparent and robust cost-benefit analysis for all new requirements.
* Amend the *NBC* to enable modern construction methods such as prefabrication and modular housing at economies of scale.

4. GST Rebate Reform

We were pleased that the Federal Government immediately enacted the promised GST rebate increase for new homebuyers. However, the rebate does not reflect housing market realities in high-cost regions like British Columbia and Ontario. Revising the framework would better support first-time buyers and spur new construction.

Recommendations:

* Expand GST rebates to all new homebuyers—not just first-time buyers—for homes priced up to $1.5 million in high-cost markets.
* Limit the expanded rebate to 18 months (with extension options) to spur immediate development activity and to address the unsold inventory issue noted above.
* Apply the rebates at occupancy rather than the contract date.

5. Tie Federal Funding to Municipal Reform

As noted above, escalating municipal fees, slow approvals, and costly infrastructure/amenity requirements are delaying and deterring projects.

Recommendations:

- Undertake a federal review of charges on development and infrastructure/amenity standards to develop standardized municipal infrastructure/amenity guidelines that fosters a cost structure that enables the delivery of new homes.
- Condition federal housing and infrastructure funding on municipal/provincial compliance with transparent and fair cost structures as well as defined approval timelines, including for the proposed Build Canada Housing program.

Conclusion

To make real progress on affordability, the federal government must enable – not replace – the private sector. By restoring investment flows, modernizing regulations, and aligning all levels of government on supply-focused outcomes, Canada can reverse the housing market's decline, safeguard jobs, and ensure the delivery of much needed homes.