

August 28, 2025

The Hon. Gregor Robertson  
Minister of Housing and Infrastructure  
House of Commons  
Ottawa, On K1A 0A6

***Re: Build Canada Homes Market Sounding Guide***

Dear Minister Robertson,

We would like to again congratulate you on being appointed Minister of Housing and Infrastructure. We are pleased that your Government is making housing a priority with substantial investments being planned to deliver more new homes for Canadians through programs such as Build Canada Homes (BCH). This is not only key to resolving affordability pressures, but also important for addressing the headwinds facing our economy – in which the building sector is a critical component. The Urban Development Institute – Pacific Region (UDI) has reviewed the *BCH Market Sounding Guide* and has several recommendations.

**The Need for Action Now**

As you know, Canada's housing market is entering its deepest downturn in decades, and this is reducing the capacity of our sector to start and even complete projects. We cannot deliver new homes at the rate we have in the past – let alone achieve the Government's goal to "... *double Canada's housing construction rate to nearly 500,000 new homes annually over the next decade.*"

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 residential land transactions in 2024 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, so the presale targets of financial institutions cannot be achieved in places like British Columbia where there is a regulated 12- to 18-month time limit to achieve presales needed to obtain financing. This has resulted in ongoing layoffs throughout the industry as few projects are being launched and many in the pipeline are being shelved.

The problems with the condo market were partially offset by Purpose Built Rental (PBR) construction, which increased over the last decade. In large part this was due to Federal financing programs such as the Apartment Construction Loan Program (ACLP) and CMHC's MLI Select. However, both programs have seen ongoing eligibility changes and requirements that undermine their effectiveness. CMHC is in fact reducing the size of the MLI Select program.

With rents for new units declining because of the increase in supply, construction costs remaining high, and the PBR sector having to rely more on inadequate and limited conventional financing, fewer PBR projects will be moving forward over the next few years.

While UDI recognizes the need to spur needed innovation in construction methods (see below) and enhance the capacity of the non-profit sector. However, these will all take several years to achieve. In the meantime, the delivery of new homes will decline – unless critical actions are taken now to address the issues facing market builders who are responsible for 95% of the new housing for Canadians.

***We support the mix of loans and loan guarantees as well as the potential of equity partnerships and attainable homeownership opportunities noted in the Guide, but they need to be implemented as soon as possible*** or the delivery of new homes will stagnate given the low number of projects being initiated – especially in Vancouver and Toronto. ***Specific actions we recommend for the Build Canada Homes program are:***

- ***Either recapitalizing ACLP and MLI Select – or creating similar programs under BCH to enhance the ability of PBR builders to access capital at reduced rates;***
  - ***The criteria and rules for the programs (or their replacements) need to be reduced or rolled back - especially removing MLI Select's 75% loan-to-cost leverage holdback;***
- ***For strata builders, establish a federal guarantee or contingent liability facility allowing Schedule A banks to finance projects with 30–40% presales;***
  - ***This could potentially also be achieved through the government becoming an equity partner in some projects;***
- ***Working with market, non-profit and other levels of government to develop the attainable homeownership programs noted in the Market Sounding Guide that can be accessed by all builders;***
- ***Having clear guidelines on how BCH would assess projects in which it would become an equity partner and clear rules on the Federal government's expectations for these projects and how risks and returns would be shared; and***

- ***Expanding the use of these tools to mid-size builders, not just the larger scale ones noted in the Guide. This will be especially critical in smaller to mid-size urban regions.***

### **Addressing the Cost of Delivery Crisis**

One of the chief reasons for the slowdown in the market in the housing sector (including for-profit, non-profit and government builders) is the cost of delivery crisis. The slowdown is not because there is an oversupply of housing. There is still a substantial undersupply of homes in Canada as consistently noted by CMHC. However, the sector cannot provide homes at the price and rent most households can afford due to increasing fees/taxes at all levels of Government as well as higher and increasing building, infrastructure and amenity standards and requirements.

A good example of these cost pressures is the new *National Building Code (NBC)* seismic standards that are increasing construction costs for many sites by 10% in the Lower Mainland, and 15% to 20% in the Victoria area according to a Report released by Province of British Columbia. On top of this, there are ever increasing energy efficiency, greenhouse gas emission and accessibility requirements being imposed by all levels of government as well as a growing scope of municipal development charges.

Not only do these add costs, which in itself hinders delivery of attainable new housing, they also delay projects. Builders (especially non-profit ones) who already have capacity challenges with labour shortages and supply chain constraints, must source new equipment and materials, adjust construction processes, and train staff/contractors every time there is a new requirement – which is often.

We are concerned with the standards being imposed by current Federal housing programs, and the emphasis on increasing standards in the *Market Sounding Guide*. For example, under “*Innovation in Homebuilding*” in Section 5.3, there is an important goal to “*Build Canadian by prioritizing Canadian-made materials ...*,” but examples provided are “*... sustainably harvested value-added wood, low carbon and concrete products ...*”. If additional standards are imposed on projects:

- Much, if not all the benefit from low-cost loans or loan guarantees will be allocated to pay the additional costs to meet the standards;
- The standards would undermine the ability of BCH to expand the “*... supply of affordable housing to low- and moderate-income households;*” and/or
- This would result in housing projects still not being able to be launched and completed.

***We recommend that the BCH program not increase cost pressures on projects by imposing additional sustainability and accessibility standards on builders (whether they be for- or non-profit) beyond what is already being mandated by provinces and local governments.***

These types of requirements are more appropriate for housing being built on Federal lands, through the Broader Public Sector (see below), or potentially through the equity investments proposed in the *Guide*, as it is easier to offset the additional costs.

There also needs to be an appropriate balance between increasing the affordability of units with the need to increase the supply of housing to lower prices and rents. The increase in supply and the impact of filtering<sup>1</sup> of PBR in recent years has increased vacancy rates and reduced rents, including for new units. An increase in market PBR projects in British Columbia has led to Kelowna's vacancy rate climbing to 3.9%, and the rents for new market units in the Vancouver have already dropped between \$0.50-\$1/ ft<sup>2</sup> with further decreases expected as the under construction PBR projects complete.

In addition, below market units are subsidized by market units (this is also the case for most non-market builders as well). If the affordability requirements and other costs are too high and a project does not proceed because the rents for the market units are too high for renters to afford them – the project will not proceed, and no units will be built – including the below market ones.

### **Innovation**

We agree with the objective of enhancing innovation in the construction industry. This is needed given the labour supply constraints the housing sector is facing. ***UDI also concurs with the focus on modular/prefabrication*** because of the potential to reduce construction timelines, especially given Canada's harsh Winter conditions. There is also opportunity to utilize Canadian wood products that would support forest dependent communities in British Columbia and across Canada.

Build Canada Homes can lead this innovation. In the past, Broader Public Sector (BPS) projects led to the successful adoption of the Leadership in Energy and Environmental Design (LEED) standard in Metro Vancouver. LEED was initially utilized in BPS projects, which allowed design firms and construction companies to become familiar with the standard. The Broader Public Sector took much of the risk out of migrating to the standard, as they and their design/construction teams learned what approaches were most cost effective and how to avoid potential pitfalls. Organizations like UDI were able to provide educational seminars and tours of LEED projects to share this knowledge.

In addition to this, BCH homes can provide the consistent project pipeline noted in the *Guide* that is needed to encourage the manufacturing facilities needed to bring costs and timeframes down, so modular/prefabrication can compete with traditional construction approaches. ***We have several other recommendations regarding how to utilize BCH program to encourage modular and prefabrication.***

- *It is not clear why it would be necessary for Build Canada Homes to act as a builder/developer. Given the variety of municipal processes across the country, it is unreasonable to expect the Federal Government to execute development in every city. It would also take several years to establish the needed skill sets in-house – before the Federal government could even assess the best pathways for its projects to adopt modular/prefabricated construction – let alone deliver projects. It is also not clear why another Federal development entity is needed, when there already is the Canada Lands Company (CLC).*
- *Instead, the government should focus on enabling and partnering with experienced larger-scale developers noted in the Guide who already have the capacity and local knowledge. There may be opportunities to support builders at this scale to utilize modular or prefabricated construction. As they become more familiar with this type of construction, they could then apply it to their other projects.*
- *If their sites are large enough, manufacturing facilities could be placed close to where the housing would be built. We note that CLC has several large urban sites, including the Downsview West in Toronto. In addition, CFB Esquimalt could be utilized for housing development and manufacturing site.*
- *The Federal supports need to include either bridge loans and loan guarantees noted in the Guide for manufacturers of or builders using modular/prefabrication. Conventional lenders will not finance modular/prefabrication materials until they are onsite because the current legal framework does not clearly give them the right to take possession of these materials if they are off-site should something go wrong with a project. The bridge loans and loan guarantees are essential given access to substantial capital will be vital if we want to utilize “...modern methods of construction ...” to the scale envisioned in the Guide.*
- *The Federal Government needs to be careful about utilizing non-profits for modular/prefabricated construction. Very few would have the size to successfully implement and benefit from pioneering these types of projects. Many non-profit organizations are not homebuilders. They focus on and provide social, cultural and/or religious services. They may own a parking lot that could be redeveloped, or a small building that could be densified. These would be one-off projects. However, it will generally take several projects before builders learn and adjust their processes to take full advantage of the benefits of modular/prefabricated construction.*
- *Where there are good examples of modular/prefabrication industries in other parts of the World, such as Scandinavia and Japan, consider encouraging companies in those countries to invest in Canadian facilities – if they use Canadian products. This would allow for faster technology transfers as we would avoid “reinventing the wheel”.*

- ***Encourage investment of these modular/prefabrication facilities in First Nation communities as many are located in forest rich areas, and could collaborate with many urban First Nations that are redeveloping their lands. Some of the largest projects in British Columbia are being led by the Musqueam, Squamish, Tsleil-Waututh, West Bank and Tsawwassen Nations. Beyond the goal of advancing "... the housing priorities of Indigenous communities," noted in the Guide, there are potential economic development opportunities for them by these types of collaborations.***
- ***UDI would like to further explore opportunities for Build Canada Homes to "... procure materials ...". This could include bulk purchasing modular/prefabrication materials or finished panels/components to build customer pipelines for manufacturers. Bulk purchasing equipment such as heat pumps may be another possibility.***

### **Provincial/Local Governments**

***UDI strongly supports the need for Build Canada Homes to be aligned with provincial housing programs. However, local governments also offer incentives for affordable housing (e.g. Density Bonusing) and/or mandate inclusionary zoning. It would be helpful if these were also aligned with Building Canada Homes.***

This is especially needed in our current high-cost environment, as many projects are unable to proceed with the number of affordable units being required without Federal supports.

***We also agree that provincial and local governments should provide a regulatory environment that supports modern methods of construction, and that local governments have pathways to accelerate planning, permitting and servicing of BCH projects. This needs to include pre-zoning sites, pre-approving standardized designs (especially if BCH is being utilized for bulk purchasing), and new approaches to quickly approving panels and materials from manufacturers.***

The BCH program can be leveraged to address escalating municipal fees, slow approvals, and costly infrastructure/amenity requirements that delay and deter projects. ***UDI has previously recommended that there be a federal review of charges on development and infrastructure/amenity standards, which would lead to standardized municipal infrastructure/amenity guidelines that foster a cost structure that enables the delivery of new homes.***

***In addition, conditions need to be placed on federal housing and infrastructure funding to ensure municipal/provincial compliance with transparent and fair cost structures as well as defined approval timelines. This needs to include the Building Canada Homes Program.***



## **Conclusion**

UDI is pleased that the Federal government is embarking on another key program to address the housing crisis afflicting most Canadian cities. Build Canada Homes is a positive follow-up to the work that has been done through the *National Housing Strategy*. ***We also agree with many of the potential components of the program identified in the BCH Market Sounding Guide.***

We note that the *Market Sounding Guide* is an initial high-level description outlining what Build Canada Homes could or may be in the future. ***As the Federal Government moves forward with developing the BCH program, we recommend that there be engagement with market builders*** – not just “... academics, research groups, institutional investors and other sources of private capital.” These builders have provided most of the housing to Canadians in the past and have the capacity and experience to continue to do so in the future. However, if they cannot access many of the supports noted in the *Guide*, housing projects that could be initiated now will be delayed as will housing starts and new home completions over the next few years – undermining housing supply and affordability.

***However, despite the need for the additional consultation with the industry, there is also a need to move quickly to incentivize market builders to initiate and complete housing projects***, as there are several problems, including a cost of delivery crisis, that are hindering their ability to deliver new housing projects – especially in key markets such as Vancouver and Toronto. ***We recommend that the Federal Government move forward as soon as possible with loan support, loan guarantees, equity partnerships and attainable homeownership programs, before focusing on the other potential elements of the program.***

If you or Department of Housing and Infrastructure staff have any questions regarding our submission and recommendations, please do not hesitate to contact us. We look forward to working with you, the Department, other levels of government and stakeholders on implementing BCH to deliver the new housing Canadians need now and in the future.