July 31, 2024

Attention:
The Right Honourable Justin Trudeau, Prime Minister of Canada
The Honourable Chrystia Freeland, Canadian Deputy Prime Minister & Minister of Finance
The Honourable Sean Fraser, Canadian Minister of Housing, Infrastructure and Communities
The Honourable Doug Ford, Premier of Ontario
The Honourable Peter Bethlenfalvy, Ontario Minister of Finance
The Honourable Paul Calandra, Ontario Minister of Municipal Affairs & Housing
Her Worship Olivia Chow, Mayor, City of Toronto

Re: How to immediately reduce the cost of new housing, and our pledge to help you do it.

Dear Prime Minster Trudeau, Deputy Prime Minister Freeland, Minister Fraser, Premier Ford, Minister Bethlenfalvy, Minister Calandra, and Mayor Chow,

As people who build homes, we the undersigned are concerned about the housing affordability crisis. Housing affordability is the single greatest challenge currently facing our country. We applaud your governments for taking steps to address some of the factors contributing to this crisis, including addressing burdensome approval processes, fast tracking housing enabling infrastructure, and making public lands available for housing. These are important steps, but they will take years to make an impact.

To solve the affordability crisis today, your governments must take bold action to make homes cheaper to build and cheaper to buy.

Collectively, the home builders who have signed this letter have plans to build nearly 100,000 new housing units over the next 10 years. Together, we urge all levels of government to focus on a solution that would materially reduce the cost of new housing today: reducing taxes.

In 2009, taxes accounted for approximately 12% of the cost of an average condo in Toronto for example, or $36,800. Today, combined federal, provincial, and municipal taxes account for 29.2% or over **$240,000** in taxes for the same home. These taxes, ultimately paid by homebuyers, exclude hidden additional taxes and duties paid by sub-trades and vendors and passed on to homebuilders. The tax costs per home in real dollars is up nearly 600% in 15 years, with development charges alone increasing nearly 1200%. Now because of higher interest rates, the system has broken. For years, all levels of government have raised revenue off the growing cost of housing. If left uncorrected, high taxes on new homes will put further strain on housing supply in the coming years. This will lead to job losses and will hurt the broader economy. Ultimately, it will make owning a home even harder for Canadians.

Removing taxes on new housing is the single biggest action your governments can take to immediately lower the cost of housing for Canadians. We are keen to be part of this important change. That's why we the undersigned pledge that:

<u>**For every dollar of tax eliminated by any level of government from the cost of delivering new housing, we will immediately reduce the price of all homes we sell by the amount saved, dollar for dollar.**</u>

We are committed to working with all levels of government to help identify the appropriate taxes to cut and are open to any accountability measures to ensure savings are passed on to home buyers. Canada needs a reset in the new housing market. We believe meaningful tax reform is the best way to achieve that.

Sincerely,

CANT COALITION AGAINST NEW-HOME TAXES

Matt Young
President & CEO
Republic Developments

republic

Stuart Wilson
President
Alterra

Alterra

Adam Sheffer
CEO
Originate Developments

ORIGINATE™

Zev Mandelbaum
Principal and CEO
Altree Developments

ALTREE

Jeffrey Kimel
CEO
Harlo Capital

HARLO CAPITAL

Jordan Dermer & Todd Cowan
Co-CEO's & Managing Partners
Capital Developments

CAPITAL DEVELOPMENTS

CANT COALITION AGAINST NEW-HOME TAXES

Mike Wywrot
President & CFO
LCH Developments

LCH DEVELOPMENTS

Bryan Levy
President
DBS Developments

DBS est. 1967

Noorez Lalani
President
Mod Developments

MOD DEVELOPMENTS

Jonathan Goldman
President
Stafford Developments

Stafford

Bill Gairdner
CEO
Gairloch

Gairloch Product of Design

Darryl Firsten
President
IN8 Developments

IN8

Jordan Teperman
Executive Vice President
Haven Developments

Aly Damji
Managing Partner, Real Estate
Forum Asset Management

Pouyan Safapour
President
Devron

Rob Kansun
Vice President
Sierra Communities

Alan Leela
Co-Founder & Partner
Vantage Developments

Stafford Lawson
Principal
Parallax

Brad J Lamb
President, CEO
Lamb Development Corp

CANT COALITION AGAINST NEW-HOME TAXES

Background Note:

In an effort to explore possible solutions to our current crisis, we undertook a study of a typical high-rise condominium proforma in Toronto to determine which budget items could be removed in order to bring costs down, allowing us to reduce sale prices for homebuyers. However, it became clear to us that there are limited opportunities to reduce costs. Land prices have already compressed to the point that the highest and best use for a property is often no longer redevelopment. Hard construction costs will continue to increase with labour rates and materials continually escalating. Financing costs have increased with interest rate hikes. Other soft costs such as professional services will continue to increase with inflation. The only budget items that could be controlled to drive cost savings was government taxes and fees. This is, perhaps not coincidentally, also the area of costs which has escalated at the highest pace over the last 15 years. Combined taxes on housing have gone up collectively by nearly 600% in real dollars since 2009 in our sample scenario with Development Charges alone accounting for a nearly 1200% increase. Removing or reducing them would have an immediate impact on affordability.

To give context to our analysis, we looked at a typical 250,000 square foot 321-unit high rise condo building in a mid-market location in Toronto. We looked at the proforma in the current tax and interest rate environment and compared it to one where government charges and taxes were removed, keeping interest rates constant. The below table summarizes the budget on that building and breaks down all taxes and government charges as a percentage of the overall budget.

Sample Project Budget

Service		Per Unit		Budget	% of Budget
Total Project Costs	$	822,599	$	264,054,168	100.0%
Total Land Costs (excluding Land Transfer Tax)	$	68,931	$	22,126,767	8.4%
Total Hard Costs	$	335,931	$	107,833,914	40.8%
Total Soft Costs (excluding Government Costs)	$	177,321	$	56,920,074	21.6%
Government Costs	$	240,416	$	77,173,414	29.2%
HST included in sales price		*79,830*		*25,625,412*	*9.7%*
Development Charges		*76,880*		*24,678,355*	*9.3%*
Parks Levy		*10,369*		*3,328,329*	*1.3%*
Property Taxes (paid on land throughout the project)		*5,038*		*1,617,143*	*0.6%*
Community Benefits Charge		*4,147*		*1,331,332*	*0.5%*
Education Levy		*4,193*		*1,345,953*	*0.5%*
Permits & Fees		*2,951*		*947,281*	*0.4%*
Land Transfer Tax		*2,719*		*872,950*	*0.3%*
Interest Carry from Govt. Costs		*26,198*		*8,409,489*	*3.2%*
Purchaser Direct Taxes on Closing					
Purchaser Land Transfer Tax		*28,091*		*9,017,170*	*3.4%*

Level of Government Cost Allocation			
Municipal	*144,845*	*46,495,369*	*60%*
Provincal	*64,836*	*20,812,261*	*27%*
Federal	*30,735*	*9,865,783*	*13%*
Total	*240,416*	*77,173,414*	*100%*

Taxes and financing on those taxes amount to 29.2% of the overall budget or $77.2 million in our sample project. On a unit basis, that is roughly $240,416 per home or $401 per square foot. This results in an additional monthly mortgage payment of $1,434 per home for homebuyers. Imagine what could be done if new households had those savings every month. That money would be reinvested into the economy and used to support these families, which lessens the burden on government in many other ways.

Having analyzed the taxes charged, we recommend governments urgently implement the following tax reforms on new housing:

1) Federal and Provincial governments to remove HST on all new housing. Reforms have been implemented with rental housing and should now be extended to all new ownership housing as well.

2) Provincial and Municipal governments to eliminate the land transfer taxes on new construction housing only when it is delivered to the initial buyer as a one-time benefit. This is a direct savings to buyers.

3) Municipal governments to reduce development charges on new housing to the inflation adjusted rate based on the starting value of 2009 development charge rates. In Toronto, for example, this would amount to $6,857 for a 1-bedroom apartment, and $11,033 for a 2-bedroom apartment. There are better tools to fund these infrastructure costs which are more sustainable.

Failing to reduce costs on new home construction in the short term will have several adverse effects:

1. Housing will continue to get more expensive, allowing fewer and fewer people to buy housing in the future, and pushing more ownership towards a wealthier ownership class.

2. Housing completions will decline rapidly in 2-3 years when many of the homes that were expected to break ground in 2024 but have been paused, fail to materialize.

3. The taxes governments expected to collect from homebuilding will not materialize anyway as many homes will not break ground, leaving funding gaps with governments without any of the economic benefit of building the homes intended.

4. The construction industry is one of the largest job sectors of our economy and is losing skilled workers daily. As projects cease to commence, construction trades will be forced to lay off their workers, some of whom will exit the industry altogether. This will have repercussions on our capacity to build going forward and will make meeting our housing targets impossible.

5. Rents will increase to account for this cost growth and the growing supply and demand imbalances.

6. Lastly and perhaps most importantly, our incredibly talented young people will continue to leave Canada and our major cities in greater numbers because of how unaffordable housing has become. This will have long term effects on our productivity and the competitiveness of our economy in the future.