

July 4, 2024

The Hon. Chrystia Freeland, P.C., M.P.  
Deputy Prime Minister and Minister of Finance  
90 Elgin Street  
Ottawa, Ontario K1A 0G5

Dear Minister Freeland:

On behalf of the members of the Canadian Home Builders' Association (CHBA), I am writing concerning the Budget 2024 item on the proposed tax on residentially zoned vacant land. CHBA was very supportive of the housing-focused budget, including the introduction of 30-year amortization periods for first-time buyers seeking insured mortgages on new construction. However, the proposed tax on vacant land is causing great concern for our industry and could very easily turn into another example of cost and red tape being piled on our members due to a lack of understanding about the home construction sector.

If land is not being developed, it isn't because developers/landowners are waiting to see if land prices will go up. The home construction sector has been hit particularly hard by high interest rates, and even prior to high interest rates, many projects could not move forward for a variety of reasons, including but not limited to municipal processes. No one is sitting on developable land in order to "get rich" - which is the insinuation in the statement. If a builder-developer has undeveloped land, it is likely because it does not pencil out. While developers may have the land, chances are they do not have the buyers to proceed.

As your colleague the Minister of Housing rightfully recognizes, high interest rates have severely impacted the ability to create more housing supply. CHBA's 2024 Q1 Housing Market Index (HMI) showed very negative builder sentiment for the seventh consecutive quarter. The HMI is a leading indicator about the health of the residential construction industry in Canada, and its ongoing lows are a continuing signal for poor housing starts ahead. 65% of builders said that interest rates have caused them to build fewer units, with 31% stating they have cancelled projects. 55% of respondents to the most recent HMI stated that single-family sales office traffic is low/very low. That number is 46% for multi-family. When sales offices are empty and without buyers, builders cannot build new homes.

Our members are eager to build. No one is getting wealthy sitting on empty land. However, a tax will only further hamper affordability challenges the country is facing. Add it to the many red tape measures that have been put upon the sector (Underused Housing Tax, Bill S-211, new trust reporting rules just to name a few) and the cost of doing business is an already stagnant environment does not incentivize construction and new housing supply.

As per the announcement in Budget 2024, your government will launch consultations on this tax later this year. CHBA wants to ensure that the sector is fully understood before consultations are launched and that the actual reality of home building in Canada is considered through the consultations. Specious claims that developers simply sitting on land should not be the starting point for a proposed new tax. Nor should it be the basis by which your government and the Department of Finance should look upon the home building industry - an industry which is a key stakeholder in the government's goal to get more housing supply built. Based upon CHBA's position as the voice to 8,500 members firms in residential construction and one of the largest industry sectors in Canada, it is crucial that we are invited to participate in these consultations, and that actions of this proposed legislation don't further erode housing affordability and supply.

We look forward to the opportunity to inform the consultation process; please contact myself or Nicole Storeshaw, Director, Government Relations at [nicole.storeshaw@chba.ca](mailto:nicole.storeshaw@chba.ca) or 613-230-3036 (ext. 241).

Sincerely,



Kevin Lee, P.ENG., M.ARCH.  
CEO, CHBA

cc : The Hon. Sean Fraser, P.C., M.P. Minister of Housing