

**Submission for the
Public Lands for Homes Plan**

**Canadian
Home Builders'
Association**



On behalf of the of the Canadian Home Builders' Association (CHBA), we are pleased to submit to the Public Lands for Homes Plan consultation.

Since 1943, CHBA has been the voice of Canada's residential construction industry. Representing one of the largest industry sectors in Canada, our membership is made up of some 8,500 member firms from coast to coast, including home builders, renovators, land developers, trade contractors, product and material manufacturers, building suppliers, warranty and insurance providers and related services. CHBA members are largely comprised of small- and medium-sized businesses.

CHBA has called for the release of public lands for housing development, and smart means to subsidize affordable housing without driving up the cost of market-rate housing. However, land leasing rather than sales, while potentially innovative, will also need to be carefully crafted to ensure success.

Canada is in a housing supply and affordability crisis. The home construction sector is facing numerous barriers to preventing the rapid construction of new housing across the country, including excessive red tape, development taxes and high interest rates are just a few of the challenges facing the industry. Therefore, it is important to keep these issues top of mind when considering whether the Public Lands for Homes Plan is being designed in a way that makes financial sense to the sector.

The comments contained in this submission reflect the input from our members and some recommendations on how to ensure this plan might be successfully developed.

Comments on Minimum Requirements

Of the six minimum requirements to build or renovate surplus federal property criteria #2 (accessibility) and #3 (energy efficiency) consistently came up as concerns.

With regards to the requirement to have at least 20% of units that must meet accessibility standards and projects must be barrier-free or demonstrate full universal design, CHBA recognizes that Canadians view their homes as a private space—a space they expect to tailor to their individual needs, wants and budgets. We also hear consistently from members that when they build accessible units, they have a much harder time selling them. In some instances, they have to resort to remodelling units to remove the accessible features. Mandating requirements for accessibility in all new homes will increase cost and reduce availability of housing – two potential outcomes that will only further deepen the housing crisis.

On the requirement of energy efficiency, while there is a role that housing can play in addressing climate change, it is important to ensure that addressing climate change does

not exacerbate housing affordability challenges. Many new policy directions, while important, are putting pressures for more stringent codes and regulations but aren't being considered with respect to cost optimization, risk, and benefit to homeowners. Unfortunately, almost all actions to address emerging policy priorities through regulation increase costs to housing. It is critical to innovate and find solutions to these challenges without driving up housing costs. Currently, the National Building Code and all related standards does not include affordability as a core objective—it is critical that this be added.

As for the Public Lands for Homes Discussion Paper and its Guiding Questions, the following includes observations from our builder/developer members who have had experience with leasing and building on public lands. The comments also include some recommendations on how to make the process better. There are also areas that need clarification.

Guiding Questions

- **The Public Lands for Homes Plan seeks to ensure the viability of housing projects on public lands while also maximizing outcomes, such as affordability. To this end:**
 - **How can the Plan ensure project viability (i.e. “making the math work”)? What factors/conditions would make land viable for housing for your organization (e.g. minimum parcel size)?**
 - Input from CHBA members on “making the math work” is contained below – specifically to do with concerns over how financing through banks will work.
 - **When it comes to maintaining affordability on projects, are there specific government supports (at the municipal, provincial or federal level) that have been most effective?**
- **What are the current barriers and challenges your organization faces when working with all orders of government on public lands and housing projects?**
 - Most of CHBA's members are not actively engaged in building on public lands. Some members who are Real Estate Investment Trusts (REITs) stated their investors will not become involved if there is not a minimum yield of 6%. Even with land leasing, the pro formas in many cases do not achieve that threshold. Other members are hesitant to engage in a land leasing process due to the various red tape and barriers that come with working with (all three levels of) government.

- Even if the federal government makes it easier to lease land, builders and developers still have to deal with the ever-increasing challenges of municipal regulations, slow permitting processes, zoning restrictions, and NIMBYism.
- **What are the implications of leasing, rather than selling public land for housing projects?**
 - A big concern that has been provided to CHBA by our members is the future value of the property when the lease runs out. Buyers may hesitate to purchase should land value decline over time due to the land being leased. If the future sale value is being held to the Consumer Price Index and purchasers are well aware of this, they may forgo the value bump for the ability to purchase a home.
 - Some of our builder/developer members have raised concerns about financial institutions' unfamiliarity with financing on leased lands. It will be important to ensure that the federal government fully liaises with banks to educate them on the process and ensure understanding of financing for land leasing developments. If not, this will be left up to developers, assuming those financial institutions even want to provide financing for leased land.
 - With those who have had previous experience with developing on leased land, they found several lenders unwilling to lend. With less competition, that could result in higher interest rates and longer wait times.
 - Freehold land is considered the easiest to deal with as it is standardized and can be transferred and/or subdivided easily. It also allows for liens to be placed and a simple portal for data/registrations to be pulled. In terms of financing the project, a financial institution first considers the tenure of the lease. Of those financial institutions who do have experience with, and will finance for land leasing, some will only allow for amortizations the lesser of our maximum or the remaining portion of the lease minus 5 – 10 years. The idea behind this being that once the lease reaches zero, so does value and as such, the later period of time has rapid value decline.
- **Are there certain types of properties (i.e. close to transit, greenfield vs. office conversion, etc.) the government should focus on for housing?**
 - Office conversion is less appealing due to large upfront costs,
- **In your view, for the selection of proponents and projects to build on public land, what kinds of outcomes should the Government prioritize (e.g. affordability, sustainability, etc.)? What are the merits of requiring certain**

outcomes are met (e.g. minimum affordability requirements) relative to having proponents compete to deliver outcomes?

- It is important to ensure that with the creation of any affordable housing units, there is a collaborative approach involving municipalities, builders and developers to ensure the desired outcomes are attainable. If this process is not done carefully and properly, it can result in the reduction of the number of market-rate units or increasing the costs to market-rate units and the further erosion of market-rate affordability.
- Since proposals to build or renovate surplus federal property require at least 30% of units must be less than 80% of Median Market Rent, for a minimum of 25 years, there is potential to have the reduction of the number of market-rate units and/or increased costs to the market-rate units. Therefore, there should be various offsets and incentives for builders/developers to reduce the cost of housing. These offsets might include:
 - Charge waivers
 - Adjusted zoning for building height and/or development standards (such as reduced parking requirements)
 - Accelerated permitting processes
- The above-listed items are the purview of municipalities and the federal government will need to work with them to ensure that the development business model makes sense for federally leased lands.
- **Beyond discounts on the sale or lease of public lands, what levers, supports or incentives could the federal government use to achieve desired outcomes on projects built on public lands in an efficient/cost-effective way? How would these vary depending on the type of outcomes being targeted?**
 - For our REIT members, they would need massive government grants to make land leasing from the government work as it currently does not align well with the financing programs available through CMHC due to the stringent borrowing requirements of CMHC.
 - Please see previous comments about working with municipalities to provide offsets.
- **How might the federal government best engage with industry stakeholders on the Public Lands for Homes Plan moving forward?**

- **Are there existing roundtables, working groups, or forums that you would suggest the Government engage to share information, facilitate discussions, and reduce engagement fatigue?**
 - It is vitally important that those engaging on behalf of the government understand market-rate home construction. In particular, the challenges facing the sector. At present, builders and developers are mired in red tape from all levels of government. This only results in added delays, added costs, and increased unaffordability. Any program developed that hopes to include market-rate home construction needs to ensure that more red tape is not added to the process as it will only discourage participation.