

January 2024

Habitat for Humanity Ontario Caucus Ontario Pre-Budget Recommendations 2024

Recommendations

- Extend Harmonized Sales Tax (HST) relief to non-profit affordable homeownership units.
- Provide provincial financial relief to help keep homes affordable long term.

Introduction

The Habitat for Humanity Ontario Caucus is composed of 24 local Habitat organizations located across Ontario. The caucus reflects the diversity of the province, with local Habitats who serve the range of communities from large urban centres, smaller rural communities, and northern areas. As such, the Habitat for Humanity Ontario Caucus has a unique understanding and ability to deliver affordable housing province-wide.

In Ontario, Habitat for Humanity is providing affordable homeownership for families in need of housing. In addition to building new homes and running our ReStores, Habitat engages in renovation programs, skills training, and many partnerships with local community groups and agencies across the province. These include Indigenous communities and non-profit organizations, such as Community Living and groups supporting women fleeing domestic abuse, refugees, and new immigrants. As a result of its efforts, Habitat for Humanity has become a trusted name in Ontario with a 2023 study showing that 73% of Ontarians are familiar with Habitat for Humanity and 87% having a favourable impression of our work.

While Habitat for Humanity is proud of the contributions our organization is making in communities across the province, Ontarians are facing an unprecedented housing crisis. According to the 2023 *Habitat Canada Affordable Housing Survey*, 9-in-10 Canadians believe that there is a shortage of affordable housing in Canada, and affordability is a top concern for Canadians - the third most important issue facing the country today behind inflation and healthcare.

To help the province of Ontario to meet its goal of building 1.5 million homes by 2031, we are calling on the provincial government to support the entire spectrum of affordable housing by reducing the taxes and fees placed on not-for-profit affordable housing providers, like Habitat for Humanity, to allow us to build more homes and keep them affordable to help more Ontarians.

To accomplish this, Habitat for Humanity's Ontario Caucus recommends the following measures be included in the 2024 Ontario budget:

1. HST/GST Relief for Non-Profit Affordable Homeownership Units

In Ontario, HST applies to all new housing except purpose-built rentals and co-operative units. Affordable ownership units, delivered by non-profit providers, are subject to HST based on the assessed market value of the units – even though, by definition, the sale of these units is structured such that homeowner mortgage payments are reflective of homes with much lower valuations (as a result of providing families the opportunity to become homeowners, Habitat covers the majority of the purchase price). Consequently, HST on non-profit affordable housing can cost anywhere from \$15k to \$25k per home in rural areas of the province, to \$70k to \$80k in the GTA creating a significant barrier to the building of more affordable housing.

- Full HST relief should be provided to qualified non-profit affordable units
- For every 100 Habitat homes built in the GTA, 13 additional homes could be built with the HST relief.
- The HST relief could be provided through an exemption, deferral, or rebate.
- Providing HST relief to all non-profit builders would represent less than 0.5% of total government revenue from home sales.

	Cost to Government		Lowest Cost	Moderate Cost	Highest Potential Cost
Habitat Impact	Homes annually		120	250	500
	Savings per home (after existing rebates)	Province	\$32k	\$32k	\$32k
		Federal	\$35k	\$35k	\$35k
Cost to Gov't	Total lost revenue for gov't (\$millions)	Province	\$3.8m	\$8m	\$16m
		Federal	\$4.2m	\$8.7m	\$17m

Projected Annual Impact/Cost of an HST Exemption for Affordable Homeownership Units

2. Remove Financial Barriers to Long-Term Affordability

Once affordable housing is constructed, it's crucial to maintain its long-term affordability and ability to serve the greatest number of families possible. However, the government has several tools under its purview that increase the costs associated with non-profit affordable homeownership; the land transfer tax and property taxes, among others, present a financial barrier to long-term affordability. Habitat for Humanity recommends that the government explore options such as a tax reduction or a re-evaluation of how the tax is administered to distinguish between for profit and non-profit builders. This approach will contribute to fostering a more conducive environment for sustainable long-term affordability.

Conclusion



To address Ontario's housing crisis and support the government in achieving its goal of building 1.5 million new homes by 2031, it's crucial the entire spectrum of affordable housing is given the tools necessary to build more homes and help more Ontarians.

By extending the HST exemption to non-profit homeownership units, and reducing the financial barriers to long-term affordability, Habitat for Humanity and its 24 affiliates across the Ontario will be able to do exponentially more in communities across Ontario and help more Ontarians achieve the goal of homeownership.

For more information, please contact Mr. Jonathan Tsao, Senior Manager Government Relations, Habitat for Humanity Ontario Caucus at jtsao@habitat.ca.

Sincerely,

A handwritten signature in black ink, appearing to read "Philip Mills".

Philip Mills, CEO Habitat for Humanity Waterloo
Chair Habitat for Humanity Ontario Caucus

cc:

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