

February 19, 2026

Right Honourable Mark Carney
Prime Minister of Canada
Office of the Prime Minister
80 Wellington Street
Ottawa, ON K1A 0A2

Honourable Doug Ford
Premier of Ontario
Main Legislative Building, Queen's Park
Toronto, ON M7A 1A1

Dear Prime Minister Carney and Premier Ford,

On behalf of the Housing Advancement Coalition, we would like to submit our recommendations as Canada and Ontario continue to grapple with a housing crisis marked by a broad decline in confidence across the housing ecosystem and an underlying long-term shortage that has not abated. We are a collective of leading local, provincial and federal builders, innovators, REALTORS®, trade and labour associations, not-for-profit organizations, and rental providers operating across residential and commercial markets.

The current crisis in confidence impacting the housing ecosystem is also partly driven by external macroeconomic forces beyond the direct control of governments and industry, including trade wars, tariffs, and geopolitical tensions. These factors should be considered as we navigate an uncertain environment.

Targeted federal action to expand the HST rebate to all buyers of new homes, modernize financing tools, restore practicality to mortgage qualification rules and recalibrate the foreign buyer policy is required. These actions should be combined with decisive provincial reforms to development charges, zoning, and removal of municipal housing barriers to regain momentum and avoid imposing unsustainable fiscal costs.

Federal Policy Recommendations

#1. Expand the GST Sales Tax Rebate on New Homes to All Buyers

The federal government announced in the latest budget the removal of GST for first-time buyers of newly constructed homes with a purchase price up to \$1 million. Currently, we are facing a significant demand shortfall driven by several factors, including higher interest rates, economic uncertainty, and the belief that prices and rents have not yet hit bottom. A lack of demand today has led to a ten-year record-low number of sales, which in 2-3 years will translate into no housing starts, and in 4 to 5 years we will be faced with no completions and no new supply. There will be no new

inventory once demand returns to the market, and prices in the resale market will face upward pressure similar to 2021-2022.

Our housing coalition is calling on the federal government to expand the GST sales tax rebate to ALL buyers of new homes temporarily (three years) on homes with a purchase price up to \$1 million, and up to \$1.3 million in Canada's two most expensive markets: Greater Toronto and Hamilton Area (GTHA) and Greater Vancouver Area (GVA), with a graduated scale where the rebate is reduced on homes on the amount over these thresholds up to \$1.5 million and \$1.8 million respectively. This eligibility applies to any new home, whether constructed or pre-construction, provided the unit has never been occupied.

With homeownership increasingly out of reach for many residents in these two regions, this bold move signals a commitment to lower costs and stimulate the construction of more homes, ensuring that more Canadians can access the housing they need and deserve. On a typical \$1 million new home, this move would save buyers up to \$130,000, allowing seniors to downsize, families to move up, and first-time buyers and younger households to enter the ownership market.

#2. Modernize Federal Financing Tools to Support Rental and Missing Middle Ownership Housing

Canada's housing finance framework remains misaligned with the types of housing most urgently required in Ontario's communities. While recent federal initiatives have focused on increasing rental supply, many approved multi-unit residential projects, both rental and for-sale, remain stalled because financing assumptions no longer align with today's costs, interest rates, and taxes.

- Existing insured financing programs such as MLI Select

The federal government should modernize existing insured financing programs, including CMHC tools such as MLI Select, to better reflect current construction economics and support a broader range of multi-unit housing types. Improving pro forma viability, rather than introducing new capital programs, would help unlock projects that are already approved but cannot proceed due to existing financial constraints. Targeted adjustments within existing programs could support missing-middle and multi-unit housing, create more attainable ownership options, and allow projects to move forward without additional public spending. Ensuring federal financing tools are aligned with real-world costs will help restore confidence, accelerate delivery, and bring more homes to market sooner.

- Construction-phase financing

One specific area that needs attention is stronger support for construction-phase financing. Many viable projects stall because construction loans remain restrictive and

expensive up front. This creates a significant barrier to getting shovels in the ground, even when the long-term economics work once the project is built.

Another gap is ownership-focused construction financing. The coalition is calling for a CMHC-construction loan that reflects current market conditions. Two possible approaches worth considering include:

- **Rental-to-ownership option:** construction financing that allows projects to proceed without firm pre-sales, underwritten initially as rental, but with the ability to transition units to condominium tenure if market conditions improve. This option would allow some approved projects to move forward now; current CMHC programs generally restrict pre-payment, limiting this flexibility.
- **Reduced pre-sale requirements:** alternatively, a CMHC ownership construction loan could allow for lower pre-sale thresholds, specifically to reduce the length of time projects must remain in-market to de-risk financing. This would be distinct from B-20 or mortgage qualification rules and focused on construction-phase risk and timing.

If governments and lenders introduced complementary incentives or improved construction-loan frameworks (i.e. better terms, more workable advance rates and draw structures, and financing that aligns with real construction milestones), it would materially help unlock approved missing middle and rental projects that are currently not proceeding. This challenge is compounded for modular projects, where a larger share of costs may be incurred earlier in the construction timeline due to off-site manufacturing and front-loaded progress payments.

- Reintroduce a reformed Multi-Unit Residential Building (MURB) program

The Canadian government's Multi-Unit Residential Buildings (MURB) tax incentive program, available in the 1970s, aimed to boost private investment in rental housing. It allowed property owners to offset losses from rental units against other income, effectively reducing their tax burden. Although the program spurred large-scale townhouse and apartment development, later use shifted toward heavily leveraged investments focused on tax benefits rather than the long-term viability of the project, making it more of a tax-planning tool than a market-driven one. Reintroducing an updated version of this program to address current market-driven needs could encourage capital reinvestment in new housing. Preliminary suggestions can focus on capping shelter costs, requiring appraisals, broadening the investor base combining MURBs with the capital gains deferral, GST and HST relief for rental housing development, and incentivizing apartments along major streets or near transit stations. Leveraging private investment to achieve public housing goals offers a win-win solution to improve affordability in today's market.

- Lending programs for innovative building manufacturers

We commend the federal government for its efforts to support the adoption, inclusion, and expansion of modern construction methods within the mandate of the newly created

Build Canada Homes. Recognizing the importance of panelized systems, modular building, robotics, and other emerging technologies that embrace productivity, and reduce construction time and costs is a good start. However, for these innovators to scale up, the federal government should expand CMHC lending programs so that off-site manufacturing facilities can apply. Currently, traditional lenders have no security for lending capital on an empty lot where the housing unit is being built off-site. At the same time, the manufacturing facility may need a guarantee that it will be paid for the unit's construction. Developing a lending product that deals with these risks is critical.

These efforts need to be supported by an innovation policy framework (both affordable and market-based units) created in partnership with the industry, that provides incentives for early adopters and customers of new solutions, as well as investments in Canadian companies providing new solutions. Scaling up pioneering methods should be done in addition to supporting the ongoing innovation and productivity of traditional construction techniques.

#3. Restore Practicality to Mortgage Qualification Rules

The Office of the Superintendent of Financial Institutions (OSFI) mortgage stress test, which requires borrowers to qualify at interest rates well above their actual contract rate, is increasingly excluding otherwise eligible and creditworthy buyers from the market. This has caused direct consequences for housing supply. The stress test was expanded in 2018 and further tightened in 2021 during a period of historically low interest rates, rapid price escalation, and elevated concerns about speculative demand and household leverage. At that time, qualifying borrowers at materially higher rates was intended to protect financial stability by ensuring resilience to future rate increases.

The market conditions that justified those changes have since shifted significantly. Housing demand has slowed, and affordability pressures are now driven primarily by financing costs and construction feasibility rather than excessive borrowing or speculative activity. In this context, the stress test is no longer operating as a forward-looking safeguard, but as a binding constraint that is suppressing end-user demand, limiting pre-sales, and undermining the ability of otherwise viable housing projects to proceed. Additionally, most non-profit ownership providers are facing another obstacle under Guideline B20, which specifically prevents their downpayment loan program from counting towards equity. This restriction should be removed to allow more people to move into affordable ownership units.

We recommend that the federal government work with OSFI to review and recalibrate the stress test framework to restore practicality and proportionality, including more flexible qualifying parameters that better reflect prevailing market conditions and borrower capacity. The long-term objective should be a stable, predictable qualification system aligned with consumer affordability and real-world risk, rather than one that unnecessarily restricts access to home ownership and impedes new home construction.

#4. Amend the Prohibition on Foreign Home Buyers, with Clear and Enforceable Guardrails

Canada's restrictions on foreign participation in the housing market were not the result of a gradual, multi-decade policy evolution, but rather a targeted intervention introduced in 2022 in response to extraordinary market conditions. The Prohibition on the Purchase of Residential Property by Non-Canadians Act was enacted amid acute home price acceleration, strong domestic demand, and relatively low supply. The ban, intended to improve affordability for Canadian buyers by restricting purchases by foreigners, has had a limited impact on home prices. However, the foreign buyer ban has had a direct adverse effect, suppressing much-needed investment. That context has now materially changed. Domestic housing demand has softened, financing conditions have tightened, and many approved projects are unable to proceed due to insufficient pre-sales and rising construction costs. In this markedly different economic environment, policies designed primarily to suppress demand should be re-examined, beginning with the continued application of the foreign buyer prohibition.

Specifically, the federal government should amend the existing ban and additional taxes to permit foreign participation when such foreign investment directly increases housing supply. This should include allowing foreign buyers to purchase newly constructed multi-unit mid- and high-rise homes that add net new units to the market, as well as permitting foreign investment in purpose-built rental construction projects that expand long-term housing availability. Foreign investment should be aligned with incentives for the types of homes Canadians need and want. In today's context, where Canada is seeking to diversify its trading partners and attract foreign investment across a wide range of sectors, it cannot be perceived as a closed market.

Ontario Policy Recommendations

#1. Reform Development Charges and Improve Cost Transparency

Municipal development charges have escalated significantly over the past decade and are now a major driver of housing costs and project unfeasibility, particularly in the current economic environment. A [2025 study by the CMHC](#) found that many of the municipalities with the highest development charges in the country are located in Ontario, underscoring the extent to which local fees are compounding affordability challenges and suppressing new housing supply.

In response, the province should mandate that municipal development charges be temporarily lowered and introduce complementary financial measures to assist municipalities in managing the resulting reduction in development charge revenues. This approach would provide immediate relief to stalled projects and help restore near-term feasibility while longer-term municipal financing reforms are developed.

We do recognize that each municipality's fiscal situation is different, and lowering DCs while introducing measures to offset those revenue losses is only a temporary solution.

A better, more effective approach is a complete review and rewrite of the Development Charges Act to focus on two core principles governing which costs should be included. Those two core principles should be driven by: nexus - the degree of connection to the actual project; and proportionality - how much of this cost will be used by or benefit the new development and how much will be used by or benefit existing residents. Reforming the DC Act and the criteria is already on the province's radar.

Additionally, in order to reduce municipalities' reliance on DCs to fund infrastructure growth, the province should move forward with the Peel Region pilot project exploring an alternative, publicly owned corporate structure for water and wastewater services.

More broadly, Ontario should work with municipalities to expand access to long-term, low-cost financing tools for growth-related infrastructure, including greater use of municipal bonds or bond-like instruments. Financing major infrastructure through long-term debt, rather than relying predominantly on upfront development charges, would better align costs with the lifespan of assets and the users who benefit from them over time. Expanding these tools would help municipalities maintain infrastructure investment while reducing the need to front-load costs onto new housing, improving project feasibility and supporting housing delivery without compromising fiscal discipline.

In addition, Ontario should require complete standardized transparency for new home purchasers regarding all costs associated with the purchase of a new home, including taxes, embedded builder costs, and development charges. Clear, upfront disclosure would reduce tax-on-tax effects, improve consumer understanding, strengthen confidence in the housing system, and reinforce accountability across all orders of government.

#2. Expand the HST Sales Tax Rebate on New Homes to All Buyers

The coalition urges the Ontario Government to eliminate the provincial portion of the Harmonized Sales Tax (HST) on newly built homes priced up to \$1 million for ALL buyers, and up to \$1.3 million in the Greater Toronto and Hamilton Area (GTHA). We applaud the recent comments by Premier Ford and Housing Minister Flack in support of such a measure.

Recent federal and provincial commitments to remove HST for first-time buyers of new homes represent a positive step, but affordability challenges extend beyond this segment of the market. Applying the HST elimination more broadly would directly reduce the purchase price of new homes by up to \$80,000 on an average \$1 million home (and up to \$130,000 if combined with a similar federal elimination of the GST portion), improve market efficiency, and support the financial viability of new residential construction.

At a time when housing starts are falling, measures to spur new construction today are critical to ensure a stable housing market that can deliver affordability for new home buyers and renters in the long term, especially if paired with similar moves at the federal

level. This attempt would encourage new supply across all housing types, bring back demand, keep the dream of homeownership alive, and provide immediate relief to buyers facing high costs.

#3. End Exclusionary Zoning in Large Municipalities

Despite recent reforms and the availability of federal incentive programs such as the Housing Accelerator Fund (HAF), exclusionary zoning practices persist across many of Ontario's largest municipalities. Minimum lot sizes, restrictive unit permissions, excessive parking requirements, and reliance on discretionary approvals continue to constrain the delivery of gentle density and missing middle housing in established neighbourhoods. While HAF was intended to encourage zoning reform through financial incentives, implementation has been uneven. In many cases, municipalities have failed to meaningfully act on approved commitments, while in others, such as Oakville, municipal councils have committed to ending exclusionary zoning only to retreat or delay reforms in the face of localized opposition and political pressure.

These outcomes underscore structural challenges inherent in municipal governance. Local decision-making incentives often favour short-term political risk avoidance over long-term housing supply objectives, leaving zoning reform fragmented, inconsistent, and vulnerable to reversal, even where funding and technical support are available. This dynamic was explicitly recognized by the Province's Housing Affordability Task Force in 2022, which recommended ending exclusionary zoning and permitting missing middle housing as-of-right across Ontario as a foundational step to restoring housing affordability.

For these reasons, provincial leadership is essential. The province should take further action to ensure that multi-unit housing forms, such as duplexes, triplexes, fourplexes, and low-rise apartments, are permitted as-of-right in urban and suburban neighbourhoods where the need is greatest, particularly in areas already served by infrastructure and transit. Establishing clear, province-wide zoning permissions would provide certainty to municipalities, developers, and residents alike. This will reduce reliance on discretionary approvals and ensure that efforts to end exclusionary zoning are durable and immune to short-term political pressures. Ending exclusionary zoning through provincial action is critical to expanding attainable housing options and accommodating growth without continued outward sprawl.

Given the current construction downturn, we recognize that the province has paused inclusionary zoning (IZ) requirements in several Ontario municipalities until July 1, 2027. We propose that the province review the IZ pause at that time based on whether the market has recovered.

#4. Remove Municipal Barriers to Housing Delivery

Ontario has clearly signalled its commitment to restoring affordability and increasing housing supply. Achieving these objectives will require continued use of provincial

authority to ensure municipal rules, incentives, and financial frameworks are aligned with provincial housing priorities.

Across many of Ontario's largest urban municipalities, housing delivery is constrained not by zoning or permissions on paper, but by the cumulative impact of approval delays, layered technical requirements, escalating fees, and discretionary decision-making. These practical barriers erode feasibility and discourage investment in new housing supply.

In many communities, housing that conforms with provincial growth policy is still subjected to site-specific rezonings, minor variances, or extended negotiations that introduce delay and political risk. Approved projects stall when rising municipal charges, parkland obligations, or late-stage conditions materially alter project economics after significant capital has already been committed. In other cases, councils adopt reforms in principle, such as permitting gentle density or intensification along corridors, only to narrow their scope during implementation, impose additional constraints, or defer action altogether in response to localized opposition. The cumulative effect is fewer projects proceeding, slower housing starts, and a widening gap between provincial targets and actual delivery.

Taken together, these dynamics contribute to fewer projects proceeding, slower housing starts, and a widening gap between provincial targets and actual delivery. Clear and consistent provincial standards can provide certainty, reduce unnecessary friction, and ensure housing policies are implemented as intended across municipalities. Without greater alignment between provincial objectives and municipal execution, barriers to new supply will persist regardless of market demand or government investment.

Conclusion

Ontario and Canada face a confidence crisis within an ongoing housing shortage. Demand has stalled, capital remains sidelined, and approved projects are not advancing, even as households continue to struggle to find appropriate homes to downsize into or grow within.

We need targeted federal action to recalibrate foreign buyer policy and expand the GST rebate to all buyers of new homes. Additionally, we need to modernize financing tools and restore practicality to mortgage qualification rules. These changes, combined with decisive provincial reforms to development charges, zoning, and municipal housing barriers, can restore momentum without repeating past mistakes or imposing unsustainable fiscal costs.

We must act now through bold measures; the time for incremental steps is behind us. The housing sector stands ready to partner with both orders of government to translate these reforms into real homes, real jobs, and lasting affordability for Canadians.

Sincerely,



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