

Builders say feds must ante up more funds for housing and related infrastructure

By [ReNew Canada](#) - April 18, 2023

A pair of construction associations are calling on the federal government to do its part and begin investing more of the tax revenue it collects from new home construction into housing supply and public infrastructure that supports growth.

A research report, "[Will Feds Answer the Call? Infrastructure Investment Lags Amidst Highly Taxed Housing Construction](#)" authored by the Canadian Centre for Economic Analysis and commissioned by the Residential and Civil Construction Alliance of Ontario (RCCAO) shows that taxes on the purchase of a new home in Ontario accounts for 31 per cent of the price, up from about 24 per cent in 2012. The federal government's share of those taxes is 39 per cent, yet it only invests 7.1 per cent in public infrastructure. The report also indicates that the tax burden on new home construction is two times higher compared to other sectors of the economy. Infrastructure-dependent products and sectors such as cars, electronics and manufacturing are not taxed nearly as much.

While the federal government reaps most of the benefits of growth through the taxation of new homes, the report notes it has not been a significant participant in funding public infrastructure investment. This puts a strain on local governments and impedes construction at a time when the feds are increasing immigration targets without regard to housing supply. While Ontario's population has grown by 68 per cent since the 1970s, the number of annual new housing completions has dropped by 23 per cent.

"The high taxes on housing construction and underinvestment in public infrastructure is a problem the federal government is uniquely positioned to resolve," said Nadia Todorova, executive director of RCCAO. "Ontario cannot realize economic and immigration growth goals without the support of the federal government increasing funding for public infrastructure."

"The federal government is benefitting massively from the growth of the Ontario economy but not reinvesting enough of the tax revenues it receives from new housing development into public infrastructure," added Residential Construction Council of Ontario (RESCON) president Richard Lyall. "Both now and over the past decades, this has created unprecedented funding challenges for provincial and municipal governments. We are in the midst of a generational housing crisis and it is critical that the federal government finally establish stable, predictable and substantial infrastructure funding for Ontario and its municipalities."

In light of the research findings and industry challenges, RCCAO is calling on the Government of Canada to:

- Increase public infrastructure funding to enable immigration and economic growth policies to be realized.
- Provide long-term, sustainable funding to municipalities to enable greater investment and planning in public infrastructure development and maintenance.
- Continue expansion of immigration programs that welcome skilled construction workers to Canada to address infrastructure and housing labour force challenges.

The report suggests that public infrastructure investment funding in Ontario required to support growth trends is 30 per cent below what is required. This only exacerbates the critical need for increased federal public infrastructure investment to help ease housing unaffordability in Ontario.

“The present level of federal investment in public infrastructure falls far short of what is needed to sustain our communities and contribute to economic growth,” said Lyall. “Residential construction of new homes and investments in public infrastructure are critical to the economic growth of Ontario and all of Canada. The federal government is contributing too little compared to the amount of revenue it generates.”