

Ontario stakeholders: 2024 Federal budget falls short for construction

Angela Gismondi April 22, 2024

Despite providing new spending to build houses, the 2024 federal budget fails to address some fundamental issues for construction, stated Ontario industry stakeholders.

Unveiled by Finance Minister and Deputy Prime Minister Chrystia Freeland April 16, Budget 2024 and Canada's Housing Plan lay out the government's strategy to unlock 3.87 million new homes by 2031, which includes a minimum of two million net new homes on top of the 1.87 million homes expected to be built anyway by 2031.

The budget doesn't deal with some of the immediate problems the country has, which is people can't afford housing, said Richard Lyall, president of the Residential Construction Council of Ontario (RESCON).

"I think there is some considerable gaslighting going on right now. I'm not seeing much of a budget for young people there. The thing that still concerns me is that first-time homebuyers, younger families are still out of the market. While this budget did have the Capital Cost Allowance for apartment buildings, some extra financing money for purpose-built rentals that's good, we needed that, but we're still not really getting at some of the bigger issues that we have."

Ian Cunningham, president of the Council of Ontario Construction Associations, agreed the budget missed the mark.

"While there's lots in the budget to support the construction of affordable housing and infrastructure that our industry can be pleased with, it fails to address the fundamental underlying economic crisis that has plagued our economy for decades, that challenges our standard of living and the prosperity of future generations, Canada's lagging productivity," said Cunningham. "I had hopes for something better in this regard."

Tax incentives only go so far

Overall, the Ontario General Contractors Association (OGCA) was hoping for more of a commitment from the feds towards the inclusion and expansion of targeted spending on infrastructure instead of simply offering tax incentives, said OGCA president Giovanni Cautillo.

“Although the federal government is providing additional attention to the residential market, specifically housing, the OGCA would have liked to see more done for infrastructure spending and supporting individual provinces around incentivizing infrastructure projects through possible federal matching incentives,” he said in an email to the Daily Commercial News. “Although tax incentives were offered in Clean Hydrogen, Clean Manufacturing and Clean Electricity, the OGCA believes that a further monetized investment into the Canadian Infrastructure Bank would have yielded more return for the average Canadians through expanded employment by way of additional projects. Tax incentives are great, but only really benefit a small percentage of Canadians.”

Boosting the rental housing sector

The government said the budget focuses on “new measures to make the math work for homebuilders.”

One of the supply side initiatives include introducing a temporary Accelerated Capital Cost Allowance for apartments that will increase the capital cost allowance rate from four per cent to 10 per cent on new purpose-built rental projects.

“The acceleration of the capital cost allowance in the federal government’s new housing plan is positive and represents a significant boost to the rental housing sector that will incentivize more units being built,” said Nadia Todorova, executive director of the Residential and Civil Construction Alliance of Ontario (RCCAO), in a statement.

She added, “Leveraging Canada’s immigration system to expand workforce capacity to build housing, linking transit infrastructure dollars to permitting greater density in urban areas, and reducing municipal red tape to fast-track home construction are long overdue reforms.”

Skilled trades and apprenticeship initiatives

The Provincial Building and Construction Trades Council of Ontario appreciated the continued investments in skilled trades training and apprenticeship, said business manager Marc Arsenault.

“Continued investment in the clean energy sector through the Clean Investment Tax Credit – which includes nuclear – is important,” he stated. “However, any such type of investment, be it for clean energy or through new items like the Electric Vehicle (EV) Supply Chain investment tax credit, must be tied to fair labour requirements that include prevailing wages, hiring local workers and creating opportunities for apprentices. Without those things, Canadian tax dollars stand to be invested in companies without maximizing benefits to Canadians.”

To address the labour shortage and get more people to pursue construction as a career, the budget will provide \$100 million over two years to Employment and Social Development Canada, which includes \$90 million over two years for the Apprenticeship

Service to help create placements with small and medium-sized enterprises for apprentices. In addition, \$10 million is being allocated over two years for the Skilled Trades Awareness and Readiness Program.

However, Lyall said people are being laid off in the low-rise sector in the central Ontario region right now.

“We have hundreds of framers sitting at home,” he explained. “I talk to contractors in the new low-rise homebuilding business and the pipeline of new business is bone dry. There is nothing coming in and not many new projects have been started this year.”

The budget also proposes to provide \$50 million over two years, starting in 2024-25, to Employment and Social Development Canada for the Foreign Credential Recognition Program. The funding builds on Budget 2022’s five-year \$115 million investment.

Making an impact

Karen Renkema, vice-president, Ontario with the Progressive Contractors Association of Canada, said she is pleased the government is ending its impact assessment on Highway 413.

“However more focus is needed to break down regulatory barriers to expedite natural resource and infrastructure projects in Ontario,” she said. “While an update of the Impact Assessment Act is needed, nothing short of a complete overhaul will do to ensure there is less political interference in the approvals of major projects that Ontarians and Canadians rely on.”

The OGCA also said while it welcomed the Cutting Red Tape to Boost Innovation initiative, it is concerned about the lack of information on how it will work.

“The government announced that they intend to introduce amendments to the Red Tape Reduction Act to broaden the use of regulatory sandboxes across government,” Cautillo said. “Without the requisite clarity in the overall delivery of this proposal, it will not bolster the confidence in the industry.”

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