



February 17, 2026

HOUSING POLICY WORKING GROUP

Breaking the Barriers to Housing Supply in Canada: Regulatory, Financial, and Structural Constraints and Policy Solutions

First and Second Meetings of the C.D. Howe Institute Housing Policy Working Group

The C.D. Howe Institute launched the Housing Policy Working Group in the fall of 2025 to examine the regulatory, financial, and structural barriers limiting Canada's housing supply and to build momentum in support of actionable policy solutions.

The Working Group includes a cross-sectional, nationwide membership drawn from the land development, finance, construction, real estate, and related industries, as well as academic and policy leaders.

It is co-chaired by: the Hon. Lisa Raitt, former federal cabinet minister and Vice-Chair and Managing Director, Global Investment Banking at CIBC Capital Market; and Peter Weltman, Director and Employee Owner at Technomics Inc., Vice-Chair of the Canadian Infrastructure Council, and Senior Fellow at the C.D. Howe Institute. Colin Busby, Director of Policy Engagement, and Tasnim Fariha, Senior Policy Analyst, provide Institute leadership.

The Working Group met twice in fall 2025 and will continue to meet regularly in 2026 to review emerging issues and advise the Institute on its policy work program, research agenda, and engagement with governments at all levels.

CONCLUSIONS FROM THE WORKING GROUP DISCUSSIONS

Based on the Working Group's discussions during its October and December 2025 meetings, participants' views converged on the following conclusions:

- **Canada's current approach to financing housing-enabling infrastructure is a central driver of higher housing costs and a material constraint on new supply.**

The group agreed that heavy reliance on front-loaded development charges raises prices for both ownership and rental housing, particularly in high-cost markets like Ontario and British Columbia. It discourages construction in high-growth regions, and effectively forces households to finance public infrastructure through higher-cost private mortgages instead of relying on lower-cost public borrowing.

- **Municipal revenue and financing frameworks require structural reform to support sustained housing delivery and long-term fiscal sustainability.**

Members emphasized that municipalities lack access to stable, predictable funding tools and increasingly rely on development charges to finance growth. Members expressed broad support for expanding municipal borrowing capacity, modernizing debt rules, and adopting alternative financing mechanisms that spread infrastructure costs over the full lifecycle of assets rather than concentrating them on new housing.

- **Misalignment across housing, infrastructure, labour, and immigration policy is worsening supply constraints and increasing economic risk.**
The group stressed that fragmented policy design and weak coordination across governments and ministries are contributing to labour shortages, infrastructure bottlenecks, and uncertainty for builders, particularly during periods of market slowdown.
- **Prolonged weakness in housing construction poses long-term risks to labour force capacity, economic growth, and government revenues.**
Participants warned that sustained declines in housing starts – especially in Ontario and British Columbia – risk the permanent loss of skilled trades capacity, reduced private investment, and lower future tax revenues, even as population growth and housing needs continue.
- **Expanding housing supply requires policymakers to enable a wider range of housing forms and ownership structures through targeted legal, financial, and regulatory reform.**
The group highlighted that missing-middle housing, development on greenfield lands (i.e., vacant land on the urban fringe), flexible ownership models, and large-scale non-market housing delivery are constrained by existing rules despite clear evidence of demand and require coordinated policy change to be delivered at scale.

NEXT STEPS

The Institute will refine its housing policy work program based on the Working Group’s discussions, focusing on research into municipal financing, development charges, and alternative funding models for housing-enabling infrastructure. Future work will explore strategies to improve intergovernmental coordination, strengthen municipal fiscal capacity, and investigate innovative ownership models to improve affordability, including co-ownership and multi-unit structures. The Working Group aims to inform policies that enable more predictable, sustainable, and inclusive housing supply across Canada.

FIRST MEETING

The Housing Policy Working Group’s inaugural meeting was on October 2, 2025, to assess the current challenges in the housing market and help set the group’s agenda and direction. The meeting comprised two sessions.

Session I: Work Program Development and Review

In the first session, members received a presentation on the Institute’s housing policy research program and engaged in a substantive discussion.

Members identified the following areas for further research:

- **Municipal capacity and alternative financing models:** Members expressed broad support for exploring alternative financing models for growth-related infrastructure, including rebalancing reliance on development charges, expanding municipal borrowing capacity through revised debt limits, and examining tax-exempt municipal bonds. Participants emphasized that current approaches rely too heavily on private mortgages – raising housing costs for buyers – and argued that greater use of lower-cost public borrowing and long-term, predictable financing frameworks could improve affordability.
- **Collapse in housing starts and construction labour risks:** Participants highlighted steep declines in home sales, particularly in the Greater Toronto Area, raising concerns about widespread construction layoffs,

long-term labour shortages, and the loss of skilled trades capacity that will be difficult to rebuild when demand recovers.

- **Productivity, innovation, and regulatory barriers:** Participants encouraged deeper examination of barriers to modular, prefabricated, and factory-built housing, noting that these challenges extend beyond technology to include workflow management, labour practices, and regulatory alignment across governments.
- **Demographic change and immigration linkages:** Members emphasized the importance of aligning housing supply analysis with immigration policy and interregional migration trends, noting that shifts in population growth can create significant uncertainty in housing demand.
- **Scaling and coordinating non-market housing delivery:** Members emphasized the need to move beyond project-by-project funding toward large-scale, multi-year portfolio approaches. They also called for stronger policy frameworks that better integrate private developers, institutional capital, and non-profit housing providers to deliver deeper affordability than traditional approaches that rely on setting aside a small number of units at below-market rents within planned developments.
- **Fiscal implications for governments:** Participants noted that a depressed housing market and reduced construction activity can have broad economic impacts, including lower employment, reduced investment, and fewer spin-off economic activities.
- **Intergovernmental coordination within governments:** Members stressed the need for stronger coordination across federal and provincial ministries beyond housing, including labour and finance, to better anticipate the economic, fiscal, and workforce impacts of housing market slowdowns.
- **Lifestyle preferences and urban out-migration:** Discussion highlighted growing interest in lower-density communities driven by affordability, congestion, and quality-of-life concerns, particularly among younger households, raising questions about long-term urban competitiveness.

Session II: Regional Perspectives and Innovations

In the second session, members received a presentation on Saskatchewan's housing market, including recent trends, challenges, and local policy responses.

The presentation highlighted the following insights:

- **Strong housing demand despite affordability pressures:** Saskatchewan has experienced 26 consecutive months of above-average sales, with year-to-date 2025 sales surpassing 2024 levels. Low inventory persists, with Saskatoon and Regina recording below one-and-a-half months of supply in late 2025, and benchmark prices rising 8 percent year over year. Although Saskatchewan remains among the most affordable provinces, prices and rents continue to rise. The province's small but active market, high economic productivity, and persistent demand distinguish it from other provinces, indicating the need for tailored policies that reflect local realities.
- **Policy interventions supporting housing supply and diversity:** Measures such as secondary suite incentives, permanent provincial sales tax (PST) rebates on new homes, and the elimination of minimum parking requirements have increased housing options and supported affordability. Competition between municipalities has improved permitting turnaround times.
- **Collaboration across the housing continuum:** Partnerships among homebuilders, rental associations, non-profits, and municipal governments have improved coordination, policy advocacy, and planning for workforce housing, including for major projects such as the BHP Jansen potash mine. These programs provide developers with grants and rental guarantees to support housing delivery for workers.

The session proceeded with a roundtable discussion, during which participants made several observations:

- **Taxation and affordability:** Participants highlighted the impact of taxes, including PST, GST, and other housing-related levies, on housing affordability and construction activity. They identified Saskatchewan as an exception, noting that permanent PST rebates on new homes support buyers and stimulate market activity. Most other provinces offer no such rebates, with some exceptions for first-time homebuyers.
- **Labour and immigration:** Participants emphasized challenges related to labour shortages, workforce retention, and the need for immigration policies that ensure a steady supply of skilled and entry-level workers for residential construction.
- **Financing and mortgage rules:** Participants noted that current mortgage rules, including the stress test and Canada Mortgage and Housing Corporation (CMHC) programming, create challenges for financing purpose-built rental and homeownership projects. They suggested reassessing these frameworks to improve access to capital, ensure balanced support for rental and ownership, and address CMHC's growing emphasis on rental programming relative to homeownership.
- **Economic and social benefits of well-functioning residential construction sector:** Discussion emphasized the broader economic and societal benefits of a healthy residential construction sector across both rental and ownership housing, including wealth creation, spin-off economic activity, and long-term social outcomes.

The meeting concluded with thanks to all members for their active participation and thoughtful contributions to the discussion.

SECOND MEETING

On December 17, 2025, the Working Group met again for a substantive discussion on the Institute's housing research program and emerging policy issues in Canada's housing challenges.

Session I: Research Program Update

The meeting began with updates on the Institute's housing research program, followed by a discussion on emerging policy priorities and market dynamics.

During the discussion, members made several observations:

- **Balanced and diverse housing supply:** Members emphasized the need to support all forms of housing by giving equal consideration to purpose-built rental construction and homeownership. They also stressed the importance of promoting a diverse range of housing options, including family-friendly units, to meet the needs of different household types, from young families to seniors.
- **Risk of overbuilding:** The group noted potential risks associated with overbuilding purpose-built rentals in certain areas and highlighted the importance of careful planning to avoid market distortions.
- **Shift in CMHC focus:** Participants observed that CMHC's attention has increasingly moved towards multi-unit rental construction, affecting market outcomes and policy considerations.
- **Homeowner financial advantages:** Members discussed financial incentives for homeowners, such as capital gains exemptions that can be reinvested in purpose-built rentals and suggested exploring measures to support renters' equity as well.
- **Rental market frameworks:** Members highlighted that Canada's rental market operates under rules such as rent controls and suggested examining international examples, including targeted US subsidies for renters, to inform policy development.

Session II: Housing Supply and Municipal Capacity: Insights from the Canadian Infrastructure Council

In the second session, members received a presentation on the Canadian Infrastructure Council's work on housing supply and municipal infrastructure capacity. The Council, an arm's-length advisory body, provides impartial, evidence-based research and analysis to all levels of government, as well as to owners, builders, and operators. Its mandate includes developing a national infrastructure assessment to evaluate existing infrastructure, anticipate demographic and economic changes, and project future infrastructure needs over a 25-year horizon. The presenter directed members to a recently published report by the Council that underpinned the analysis and recommendations discussed.

The presentation highlighted the following findings and recommendations:

- **Data gaps and shifting demand:** Significant population and economic changes, including increased inter-community movement driven by remote work, are not fully reflected in existing data, complicating housing demand projections.
- **Infrastructure condition constraints:** A substantial share of Canada's core housing-enabling infrastructure remains in poor or very poor condition, limiting capacity to support new housing development.
- **International comparisons:** Comparisons with other Organisation for Economic Co-operation and Development (OECD) countries revealed relatively high per-capita water consumption in Canada, pointing to broader infrastructure efficiency and capacity challenges.
- **Optimizing existing assets:** The report emphasized prioritizing better use of existing infrastructure before building new assets, including improved asset management, demand monitoring, and increased investment in maintenance to maximize returns on investment.
- **Coordination across governments:** The presentation identified stronger coordination among governments and other partners as critical to reducing duplication and improving infrastructure planning and delivery.
- **Climate resilience and data use:** The presenter emphasized the need to incorporate climate resilience into future infrastructure planning and to strengthen data collection and use to support evidence-based decision-making.

The presentation was followed by a roundtable discussion that examined infrastructure challenges across the country. Participants offered the following observations and suggestions:

- **Municipal fiscal constraints and dependence on transfers:** Municipalities face limited own-source revenues and often do not fully recover the cost of services from users, constraining infrastructure funding and long-term planning. Heavy reliance on government transfers – frequently tied to shifting priorities – further limits their ability to build sustained infrastructure management capacity.
- **Federal program design:** Members called on federal programs to better reflect regional differences, offer flexibility for municipalities with limited tax bases, and support asset-management planning in addition to project-based funding. They also emphasized the need for a predictable pipeline of housing-enabling infrastructure to improve planning and delivery.
- **Uneven municipal capacity and inconsistent data and asset-management practices:** Larger cities typically have stronger technical and institutional capacity to manage infrastructure assets, while smaller, rural, remote, and northern communities face greater constraints. Inconsistent accounting and asset-management practices also hinder the aggregation and comparison of infrastructure data nationally.
- **Barriers to multi-unit housing:** Municipal infrastructure limitations, approval processes, and legal and financial barriers constrain the delivery of duplexes, triplexes, and sixplexes. Participants highlighted Ontario's restrictions on subdividing and selling units compared with more flexible models in Quebec

and British Columbia. Local design requirements and community opposition further slow development, pointing to the need for more coordinated policy and regulatory reforms.

- **Coordination and fiscal sustainability challenges:** Participants noted that misaligned funding timelines – such as those that fail to align with seasonal sealifts in northern and remote communities – delay infrastructure delivery and indicate the need for stronger intergovernmental coordination. More broadly, members observed that low-density development often proves fiscally unsustainable, as property tax revenues fail to cover long-term infrastructure costs, while federal tax and homeownership policies also shape local development patterns and housing outcomes.

Session III: Alternative Financing for Housing-Enabling Infrastructure

At the beginning of the third session, members received a presentation on alternative financing approaches for housing-enabling infrastructure, with a focus on municipal fiscal constraints. The presentation outlined the challenges municipalities face due to limited revenue tools and rising housing demand, while also pointing to potential strategies to support sustainable, long-term infrastructure investment.

The presenter highlighted several points, including:

- **Municipal role in housing:** The presentation reaffirmed that municipalities play a central role in addressing the housing crisis alongside federal, provincial, and territorial partners, including by providing public land for non-market housing, increasing density, and accelerating permitting processes.
- **Infrastructure and housing gap:** The presenter noted a gap between permits issued (approximately 250,000 units) and actual housing starts (about 210,000 units) over the past year. This indicates a need for timely investment in housing-enabling infrastructure such as roads, water and wastewater systems, transit, parks, and other community assets. Housing starts remain well below the federal target of 500,000 units annually.
- **Revenue limitations:** Historically, municipalities exercised broader taxation powers, including local income taxes, which governments rescinded during the Second World War and never restored. Today, municipalities are responsible for roughly 60 percent of Canada's public infrastructure but receive less than 10 cents of every tax dollar. This imbalance leaves municipalities heavily reliant on federal and provincial transfers that are often unpredictable and misaligned with project timelines. As a result, municipalities depend on development charges to finance housing-enabling infrastructure for new neighbourhoods and homes.
- **Development charges and housing costs:** The discussion highlighted that development charges vary across regions and can contribute to higher housing costs, particularly in high-growth areas such as the GTA and Metro Vancouver. Development charges are one of several cost drivers alongside land, labour, materials, and financing.
- **Need for stable, long-term funding:** The presenter suggested expanding long-term, predictable infrastructure funding, including direct transfers similar to federal programs such as the Canada Health Transfer and Canada Social Transfer.
- **Alternative financing opportunities:** The presentation outlined the potential for provinces to modernize municipal revenue frameworks by experimenting with land-value capture, expanding access to private capital and debt financing, and introducing tax-exempt municipal bonds to leverage municipalities' strong credit ratings and reduce the cost of housing-enabling infrastructure.

A follow-up discussion explored practical challenges and potential policy solutions for financing housing-enabling infrastructure. Participants made several observations:

- **Link between infrastructure funding and housing costs:** Participants noted that local infrastructure costs are directly passed on to housing prices in both ownership and rental markets and pointed to alternative models – such as regional sales taxes used in parts of Colorado – as ways to fund infrastructure without overburdening individual homeowners.
- **Limitations of current revenue systems:** Participants observed that development charges, property taxes, and user fees apply unevenly across regions. Rising development charges in high-demand areas such as the GTA and Metro Vancouver have contributed to higher housing costs. Participants cited Quebec as an example of a more equitable funding approach, where governments distribute costs broadly rather than concentrating on new homebuyers.
- **Alternative financing frameworks:** Participants discussed options such as recapitalizing the Canada Community Building Fund, harmonizing provincial debt rules, and piloting municipal bonds, land-value capture, and full-cost utility pricing. They emphasized funding infrastructure over its full lifecycle (50–75 years) to lower costs and improve long-term affordability.
- **Predictability, transparency, and collaboration:** Participants stressed that predictable, transparent funding – where development charges reflect full lifecycle costs – supports long-term planning by municipalities, developers, and non-profits. They also emphasized the importance of coordinated efforts across government, private, and non-profit sectors to deliver sustainable, equitable financing solutions that support housing infrastructure and improve affordability in Canada’s largest urban centres.

The meeting concluded with thanks to all participants for their contributions and engagement throughout the discussions. Institute leadership will refine the 2026 research agenda based on the group’s insights and recommendations and will convene its members for further discussion in winter or early spring 2026.

MEMBERS OF THE C.D. HOWE INSTITUTE HOUSING POLICY WORKING GROUP

Members of the Council participate in their personal capacities, and the views expressed do not represent those of any institution or client.

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