



2026 GOVERNMENT OF ONTARIO BUDGET

PRE-BUDGET SUBMISSION FROM THE RESIDENTIAL CONSTRUCTION COUNCIL OF ONTARIO (RESCON)

January 2026

Submission E-mail: MOFconsultations@ontario.ca

RESCON 2026 ONTARIO BUDGET SUBMISSION

About Us

The Residential Construction Council of Ontario (RESCON) is Ontario's leading association of residential builders who construct over 70% of the homes across the province. Since the 1960s, our members have built millions of homes efficiently, sustainably and affordably. We have constructed the homes that have created new communities, supported broader economic growth across Ontario and we are one of the main sectors contributing to the prosperity that has been the hallmark of Canada's national economy in the post-war era. RESCON's members in Ontario employ well over 100,000 workers directly and over 200,000 when indirect industries are included. The total size of our industry as an employer far exceeds other sectors such as steel, aluminum and auto manufacturing. The residential construction sector enormously impacts other construction sectors including those working in infrastructure related to homebuilding such as roads, water and sewers, schools, hospitals and other community projects. Our impact on the broader economy in Ontario and across the country is enormous. RESCON is committed to providing leadership and fostering innovation within the industry. Our areas of focus include government-imposed costs (taxes, fees and levies), processes and red tape, building science and innovation, technical standards, labour relations and supply, training, health and safety and collaboration with all levels of government. RESCON's members and our broader sector are integral to the economic success of Ontario now and in the years to come. We have built the homes that people live in today and will reside in for decades to come. We are crucial to Ontario and Canada's future as we strive to build the homes that Canadians need and deserve.

RESCON's Mission Statement

We work in co-operation with all levels of government and related stakeholders to offer realistic solutions to a variety of challenges facing the residential building industry.

Market Overview - Context

RESCON presents our 2026 Ontario Budget submission recommendations at a time when the new homebuilding sector is contending with the most challenging environment ever experienced by the residential construction sector as well as new home purchasers and renters, particularly first-time buyers. A literal “perfect storm” of stifling taxation, rising material costs, unpredictable market forces, labour costs, interest rates, cumbersome planning approvals processes, suppressed consumer confidence and overly restrictive regulatory policies has created an environment where building homes that builders can manage to construct and purchasers can afford to purchase is illusory. The cost to income ratio in Ontario is now over 9:1. With all of these factors impacting the sector, the level of housing starts has literally evaporated in Ontario precisely at the time when homes are needed the most. In the Greater Toronto Hamilton Area (GTHA) home sales are now down 71% for single-family homes and condominium sales have plummeted by 90%. The numbers are staggering with respect to housing starts which are down year over year by 29% across all of Ontario’s Census Metropolitan Areas (excluding Toronto) and notably in Canada’s largest city, Toronto, by 58%.

Market	2024	2025	Change	Change%
City of Toronto	10,372	4,307	-6,065	-58%
Toronto CMA (excl. City of Toronto)	9,310	6,567	-2,743	-29%
Ontario CMAs (excl. Toronto CMA)	9,152	9,492	+340	+4%
All Ontario CMAs	28,834	20,366	-8,468	-29%

Source: Missing Middle Institute

The broader impacts on the economy deriving from the challenges facing the residential construction sector are unparalleled. With job losses across Ontario in the tens of thousands already having taken place, the coming months will only exacerbate employment impacts as homebuilders, RESCON members, are faced with difficult but unavoidable choices. Reports suggest that if significant further public sector action is not taken to support the industry and reverse the ever-increasing job losses, Ontario will likely see a

reduction in GDP by as much as 1.5% to 2.5% in year 2026 through 2027 directly related to the situation affecting the residential housing sector.

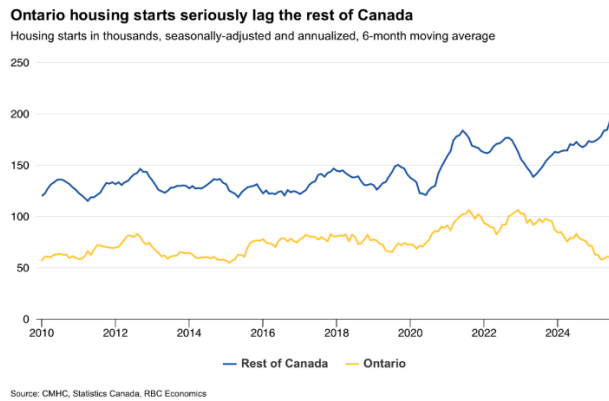
Executive Summary

Ontario Budget 2026 provides a unique generational opportunity to undertake significant initiatives to address the most pressing residential housing crisis that the province has ever experienced. Consumer confidence is at an all-time low exacerbated by tariff and trade policies, Covid era inflationary pressures on building materials and labour that did not end with the pandemic, permitting and approvals processes are costly and impede the ability to build, insufficient sales tax incentives are not being impactful, mortgage stress tests are outdated and overly restrictive and ill-advised foreign buyer bans are now a disservice to sector recovery. While the federal foreign buyer ban that includes Ontario has a sunset date of January 2027, in the current market affecting the province, a full year continuance is not sound policy and Ontario can advocate in Budget 2026 for at least a carve out for the province. Like food and security, shelter (housing) is a basic economic need for most people, a fact often overlooked. It is also a vital building block for broader prosperity and well-being. Primary among the provincial government's actions must be the reversal of taxation and fiscal policies that have undermined the ability of homebuilders to construct residential projects and the viability of purchasers to acquire or rent homes. Taxing housing like alcohol and tobacco, so-called "sin taxes," is not rational in the context of the housing crisis. Cooperation with all levels of government is a necessity if workable and sustained policy approaches are to be successful in restoring home pricing affordability. While the federal government has undertaken housing policy initiatives, the vast majority of jurisdictional power remains with the provincial government which also retains authority over municipal councils where there is an urgent need to reduce their exorbitant taxation levels and to support change in terms of planning systems and processes. Ontario Budget 2026 provides the basis for an expansion of advocacy to the federal government to restore previously successful national programs that demonstrated high levels of success during previous housing crises. Modern processes and digital platforms must be required by the provincial government so that we can expeditiously advance homebuilding. RESCON further notes there is a need for governments to align and support necessary infrastructure development in a predictable way to support growth. As the

provincial government, with more direct impact in terms of policy possibilities, Ontario must lead in supporting this key to cost effective procurement. Advanced big data / AI supported modelling is equally vital to establish priorities relative to budgets. It could incorporate both behavioural economics and social value analytics. Canada, and by implication Ontario, has placed second last in approval timelines among Organization of Economic Cooperation and Development nations and only decisive action will address process challenges. It is worth noting that for years RESCON has been visiting what are considered to be advanced jurisdictions in the world relative to housing and infrastructure development. This past fall (2025) RESCON lead a mission to Germany which is viewed as a leader in offsite construction systems from design through to occupancy. What was experienced during the mission clearly illuminated the absolute need to advance efforts in this regard as Ontario, and Canada, are many years behind what is occurring in Europe. In their entirety, the recommendations being advanced by RESCON and its members will, if fully implemented, support an expedited recovery of the residential construction sector in Ontario that has for too long been impeded by taxation levels that have become exorbitant, a lack of solid investment and guarantees for innovative homebuilding practices, glacial planning and approvals processes and ineffective funding approaches. The seriousness of the current housing crisis requires concrete, measurable and effective financial and policy movement on the part of the Ontario government, which is uniquely placed as the provincial authority to demonstrate the required leadership and bring about the changes needed across Ontario and in particular, in the GTHA where the crisis is most acute.

Notation – Greater Toronto Hamilton Area

RESCON believes it is crucial that Budget 2026 also reflect the unique realities of the housing crisis as it manifests itself in various areas of the province. Within Ontario, the housing crisis is indeed expansive, however the epicentre of the crisis is in the Greater Toronto Hamilton Area, and Ontario Budget 2026 should reflect this reality. As referenced in the results of Statistics Canada data in terms of home starts, forces unique to this area of Ontario are significantly impeding the construction of new homes. A graph below from a report by the Royal Bank of Canada highlights the situation in Ontario compared to the rest of Canada.



Ontario Budget 2026 Policy Recommendations

Recommendation 1 – Harmonized Sales Tax Rebate

The federal rebate of the Goods and Services Tax (GST), now aligned in federal legislation (Bill C-4) with Ontario's HST (GST 5% + HST 8% = 13%) will, upon passage, only apply to first time homebuyers. Ontario should proceed to expand its rebate (8%) to all purchasers of new homes up to \$1.3 million for a prescribed period of time while continuing advocacy to have the federal government follow this approach which could ultimately result in a 13% sales tax rebate for all new home purchasers.

Recommendation 2 - Municipal Development Charges

Decisive, and financially based, action must be undertaken in Ontario Budget 2026 to rapidly support the reduction of municipal development charges. While an array of provincial legislation has been introduced or implemented to address process issues with respect to development charges, financial impacts have to date been limited. The province, through financial commitments, must fund initiatives that mandate a return among all Ontario municipalities to a development charge rate set at 2015 levels for a temporary period of three years. Both the Ontario and federal governments must implement a direct-to-buyer development charge model along with financial support to municipalities to facilitate a suspension of land transfer tax policies. A municipal DC direct to buyer model would reflect the fact that they are a consumer tax and should not remain hidden as they are now. This would also ensure DCs are not subject to sales taxes.

Recommendation 3 – Provincial Support for Residential Infrastructure

In recognition that the current process essentially compels municipalities to rely upon development charges to fund housing supported infrastructure, Ontario Budget 2026 must commence an initiative that creates a provincial funding model that supports municipalities to replace current funding modalities with an enduring, predictable and sustainable system of financial support. Ontario Budget 2026 should direct efforts to work with the federal government to create a funding partnership between them and Ontario that shares the fiscal burden of this new initiative.

Recommendation 4 – Land Transfer Taxes

Land transfer taxes are regressive and impact housing costs. Budget 2026 should include a provision to suspend for a period of three years the application of both provincial and municipal land transfer taxes for new, never occupied homes.

Recommendation 5 – Digitization of Planning Approvals Processes

It is critical that the Ontario government encourage, support, finance and implement advanced modern planning approvals processes and reviews including digitization, building information modelling (BIM), standard designs and more expansive as-of-right building modalities across all Ontario municipalities. To date, measures to realize this much needed modernization have resulted in piece-meal and inconsistent efforts across multiple municipalities. The province, through Budget 2026 must fund, require and monitor implementation on a province-wide basis.

Recommendation 6 – Support for New Approaches to Homebuilding

Ontario, in conjunction with the federal government and its new entity Build Canada Homes, expedite implementation of financial initiatives to support Ontario based off-site and innovative homebuilders with purchasing guarantees, shared-risks associated with expansion and production levels, favourable terms on loans and incentivizing investment in this sector through public and taxation policy.

Recommendation 7 - PropTech and ConTech

PropTech can accelerate approvals through technology and make the process sufficiently more transparent and predictable. This would accelerate redevelopment of properties within existing urban boundaries. Ontario Budget 2026 should implement measures to support the advancement of PropTech and ConTech across Ontario and require municipalities to adopt these advancements while providing funding to support their actions in this regard.

Recommendation 8 - Foreign Buyers Policies

While federally implemented, Ontario Budget 2026 should, in collaboration with the federal government, direct the removal of foreign buyer bans immediately (rather than waiting until 2027) for new home purchases, particularly in regard to high-rise projects.

Recommendation 9 – Partnerships with Private Sector

Ontario Budget 2026 should include provisions to incentivize private market residential construction by expanding collaboration, cooperation and partnerships with private market homebuilders to support the financial viability and expedited realization of market and non-market home construction with flexible financial considerations, direct funding, availability on reasonable terms for provincially owned lands development and financing vehicles that encourage immediate project advancement. This could be attained more easily with provincial cooperation with the federal government through the Build Canada Homes agency.

Recommendation 10 – Support Reactivation of Previously Successful Programs

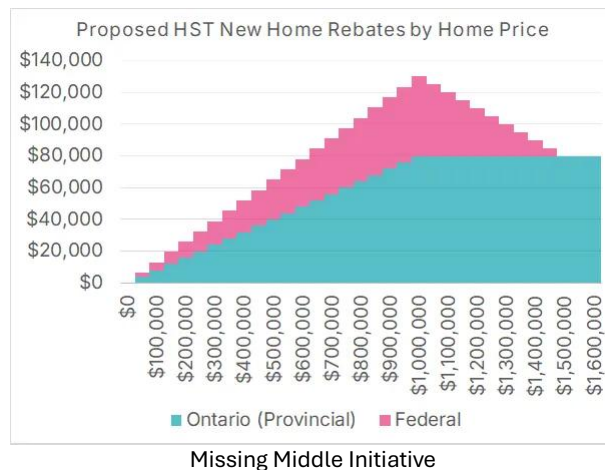
During previous housing crises various vehicles were successfully employed (mainly federal initiatives) to support and incentivize the residential construction sector. These included the Multiple Unit Residential Building

program (MURB) and the Limited Dividend Company model. Ontario Budget 2026 should advocate to the federal government for the return of these initiatives and Ontario should proceed in collaboration with the Government of Canada, or on its own, with the reintroduction of these initiatives.

Detailed Review of Recommendations

Recommendation 1 – Goods and Services Tax and provincial/federal Harmonized Sales Tax Rebate

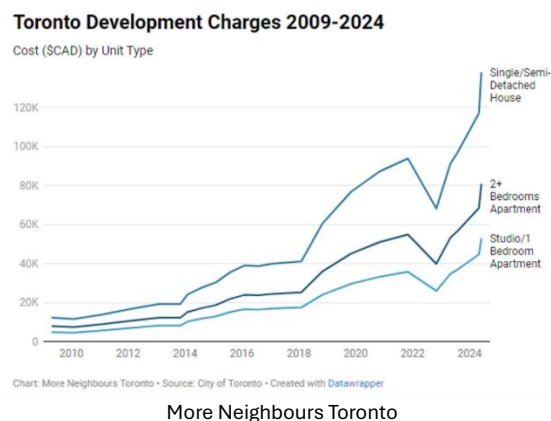
The federal GST on new homes was introduced in 1991 in a market completely alien to that which exists today. Changes have been long in coming. In this regard, the now aligned HST (GST + PST) sales tax rebate for first-time homebuyers (Bill C-4 awaiting approval from the Senate) is a good start. However, in view of the dire situation now impacting housing affordability and supply, Ontario Budget 2026 should direct the eligibility for a sales tax rebate for all new homes across Ontario (8%) while advocating for the federal government to align with this approach to create a full sales tax rebate (13%) for all new home buyers. (see graph below) The rebate must also be fully expanded (not graduated) beyond current federal/provincial government aligned parameters to \$1.3 million.



Recommendation 2 - Municipal Development Charges

In municipal jurisdictions across Ontario, especially the GTHA and Ottawa, DCs have become a runaway train. In Toronto, DCs on a two-bedroom condo increased

to \$88,000 from \$8,000 over a 10-year period. Hikes like this put housing out of reach for most homebuyers. It is new homebuyers that are footing the bill. DCs in many notable municipalities grew exponentially with few barriers. It was politically expedient to do so as new buyers do not have the same influence as existing ratepayers and tenant organizations. While developers are the ones who initially pay the DCs when they obtain building permits, they are passed on to the buyers of new homes as part of the purchase price. DCs are traditionally adjusted annually by municipalities to cover inflation and the increasing costs of infrastructure projects. A report for RESCON completed by the Canadian Centre for Economic Analysis found that taxes, fees and levies on new housing has jumped to almost 36% in Ontario, up from 31% three years ago, these fees account for a large amount of the tax burden on new housing and DCs are particularly egregious as they are a regressive tax on those least able to afford them. While provincial, and some municipal governments, have proffered some actions to address DCs, efforts to date have been neither sufficient nor sustained enough to encourage homebuilding or sector recovery. Ontario Budget 2026 must demonstrate leadership by facilitating the reduction of DCs. Presently, Ontario's municipalities are sitting on substantial DC reserve funds with data showing that they have \$10 billion province-wide sitting in these accounts. Toronto alone continues to retain nearly \$3 billion of that figure, with surrounding municipalities retaining comparative to size reserve funds. This issue must also be addressed, and the Ontario government has the power constitutionally bring to bear on municipal governments and implement solutions that to date have been elusive.



Recommendation 3 – Provincial Support for Residential Infrastructure

Recognizing that imposing a return to 2015 development charge rates will significantly impact municipal capacity to cover the costs of residential project supporting infrastructure, Budget 2026 must include provisions to

address this challenge for municipalities. This will require funding and potentially an agreement with the federal government, however action with respect to exorbitant development charges is absolutely required. Such a policy shift should be enduring, predictable and sustainable. No approach to date initiated only by municipalities has been sufficiently impactful and Budget 2026 offers the province the opportunity to finally realize changes that are required.

Recommendation 4 – Land Transfer Taxes

The collection of land transfer taxes, both municipal in some cases and provincial, are an excessive burden placed upon the most vulnerable participant in the housing sector, the new home purchaser. In places like Toronto, where there is a double land transfer tax (municipal and provincial) the burden is only compounded. To alter the calculus that will make housing more affordable for new home purchasers, the provincial government must use Ontario Budget 2026 as an opportunity to mandate the removal of land transfer taxes on all new home purchases for a period of at least five years. Combined with other taxation and levy initiatives, such a move would significantly assist in the recovery of the residential new home construction sector and provide affordability to new home purchasers.

Recommendation 5 – Digitization of Planning Approvals Processes

Provincial leadership is required to facilitate effective and measurable improvements with respect to planning and building approval processes across Ontario with particular attention being required at the municipal level of government. Ontario's approval timelines, which have marginally improved in some municipalities, (see graph below) are among the slowest anywhere in the world. In fact, in terms of positioning, Canada is second last among Organization of Economic Cooperation and Development countries placing second last. Countries placing ahead of Canada and Ontario have dramatically reduced timelines and most have adopted technological platforms such as building information modelling (BIM), full digitization of approval processes, outcome management and transparent and real-time data. While some municipalities in Ontario have implemented transformational change, Alberta being one example, lag times still present considerable challenges in the apex of the housing crisis, the GTHA. It is not unusual for homebuilders to experience multi-year delays in securing

approvals for home building projects as they deal with multiple layers of planning approvals processes characterized by red tape, unnecessary bureaucracy and a lack of transparency which has resulted in reduced accountability. The inconsistent and uncoordinated application of digital solutions demonstrates the requirement to have the Ontario government to fully assume a broadened leadership role in this area and Ontario Budget 2026 can by virtue of funding and policy direction in collaboration with the Ministry of Municipal Affairs and Housing realize substantial and long overdue change.

Recommendation 6 – Support for New Approaches to Homebuilding

Budget 2026 presents a unique opportunity to support new approaches to homebuilding which are crucial to success in terms of the Ontario government reaching their stated housing targets over coming years. Across the world, many countries have extensively and successfully embraced new homebuilding technologies as have consumers. RESCON supports the government action in this regard. RESCON also urges the government to continue to engage with Ontario companies which are already leading innovative homebuilders specializing in off-site construction. Ontario Budget 2026 must seek to address issues of sustainable funding, streamlining regulations across Ontario. Ontario Budget 2026 provides the opportunity to institute provincial action while seeking alignment, support and funding in this area from the new federal Building Canada Homes initiative which commits to support this sector. In supporting this approach, Ontario Budget 2026 can assist innovative prefabricated home builders within Ontario to scale up their production including consideration of bulk orders that will create a sustained demand for their homes.

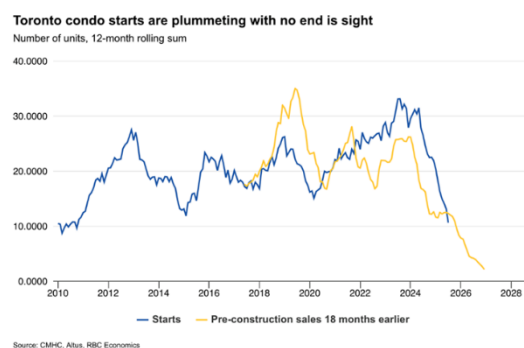
Recommendation 7 - PropTech and ConTech

Ontario Budget 2026 has an opportunity to support, through funding and financial incentives, the further adoption of current and emerging technologies associated with PropTech and ConTech. These approaches would expeditiously activate land for development by restoring so-called “stranded land” to the potential housing market with an ease that accelerates potential residential development. PropTech has the potential to eliminate long and unnecessary planning approvals processes and zoning practices that have so significantly impacted homebuilding. Likewise, ConTech provides the

potential for inclusion of modern and technologically superior construction techniques that have the potential to reduce timelines, expand efficiency of building and reduce waste. Ontario Budget 2026 should provide funding to explore, develop and implement these modern practices across Ontario but particularly in areas of the province where the housing crisis is most acute.

Recommendation 8 - Foreign Buyers Policies

Ontario Budget 2026 should consider a direction to work with the federal government to remove foreign buyer bans on new construction within Ontario this year rather than wait until the current policy expiration time in 2027. The market realities that existed when foreign buyer bans were introduced, and extended, simply no longer exist almost anywhere in Canada and particularly not in Ontario and the GTHA. The current realities facing the residential construction sector are dire and a reduction on restrictions on foreign buyers would assist in securing the required foreign investment that raises capital needed to reignite residential construction projects. Such domestic capital is simply non-existent or unwilling to invest in the residential construction sector. An amended foreign buyer's regulatory structure could allow, for example, investment in long-term rental stock with a requirement to retain ownership for a period of 25 years or follow the lead of Australia where purchases by foreign buyers are restricted so that they can only buy new homes. This amendment to current policy could be particularly impactful for the condominium market in major markets which are currently virtually non-existent (see graph below re Toronto for example). In advocating for changes to federal policy (even a carve out for Ontario), Ontario Budget 2026 could seek implementation of new regulations that are more flexible with respect to foreign buyers, helping to position Ontario's housing market in such a way that foreign investment assists in restoring homebuilding on a scale that supports the broader sector.



Recommendation 9 – Partnerships with Private Sector

RESCON maintains that Ontario Budget 2026 provides an extremely important opportunity for a level of collaboration between Ontario's homebuilders and the provincial government to identify and implement solutions to the housing crisis across the province. The industry has been criticized for low productivity. But it should be remembered we have many builders who also build in the United States without any productivity issues. Indeed, productivity is not properly measured as it includes the impact of the regulatory system which has slowed the process and raised costs over time. For over half a century, homebuilders have constructed millions of new homes. The industry knows how to build homes efficiently and affordably when market conditions are not operating as impediments including with respect to taxation policies, levies, unnecessary costs and ill-advised regulatory policies at all levels of government. Ontario Budget 2026 should create the fiscal and policy alignment that includes a more fulsome engagement with homebuilders, particularly in the GTHA, with consideration being given to financial supports to building market and non-market homes, partnerships at a broad and project level and relief from unnecessary taxes, fees and levies, some of which have already been identified in this submission.

Recommendation 10 – Support Reactivation of Previously Successful Programs

While principally initiated by previous federal governments, there is a number of programs that Ontario Budget 2026 should support in terms of re-implementation, either in collaboration with the federal government or as a stand-alone Ontario undertaking. In order to realize sufficient levels of homebuilding, the Ontario Budget 2026 must seek a restoration of tax measures from the 1970s and 1980s that spurred significant rental construction. Supported by RESCON and many housing stakeholders, the restoration of MURB would help to restore affordability for the sector by encouraging rental housing construction and help with rental costs. Under MURB, investors were allowed to claim depreciation and certain other costs of an apartment building against related income. The plan encouraged the

construction of about 195,000 units at a cost of \$2.4 billion in forgone taxes. The current housing crisis requires the restoration of this initiative to spur construction. Similarly, Ontario Budget 2026 should work for the restoration, either with the federal government or alone, of the Limited Dividend Company (LDC) model, as a means of increasing affordable rental housing projects. CMHC used the model to encourage private investors to build and operate housing that was geared to low and moderate-income individuals. The program, which existed in legislation as early as 1938 and ran until 1975, allowed owners of affordable housing to benefit from government loans at interest rates that were below standard. In return, developers had to offer units at rental rates that were geared to certain income levels. Additional restrictions were placed on rent increases going forward so that rents remained affordable. The LDC was a win for both developers and tenants. In many ways, the LDC is similar to the model used by water and energy utility companies. They charge a specified amount for the services to reflect the costs incurred for the commodity, plus its delivery, and an allowance to cover depreciation and provision of a reasonable return on investment is realized.

Summary

First and foremost, RESCON members and homebuilders across Ontario know how to build homes. They have been doing so for many decades. Ontario Budget 2026 is an opportunity to unify policy, fiscal support and collaboration to reach the government's housing goals. Ontario is undoubtedly at a major inflection point with respect to housing in this province. The challenges facing the residential sector, and consumers, have been years in the making and are the result of a myriad of factors. However, among the most substantial in terms of impacts is the long evolving process of government policies, taxes, fees and levies and regulatory processes that are so restrictive and bureaucratic in nature that they have effectively stalled the housing sector at a time when homebuilding is most needed by Ontarians across this province, but particularly in the GTHA. Ontario Budget 2026 offers a generational opportunity for the provincial government to drive financial initiatives and indeed housing policy that will work to implement solutions to the housing crisis. The unique position of the Ontario government to influence both provincial government policy and municipalities is also critically important to the adoption of solutions and the elimination of impediments to actually getting homes built affordably for Ontarians. The dire need for housing is particularly experienced by younger Ontarians who are the

future of our province and who are also the most vulnerable in terms of housing challenges. We urge the government through Ontario Budget 2026 to implement the recommendations contained within this budget submission and, as always, we continue to welcome consultation, collaboration and cooperation with the Ontario Government moving forward.