

Peterborough & The Kawarthas Home Builders Association

News From The Board

2008-2009

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Tax Harmonization: Effect on Our Market

Ontario's new homebuyers would face a massive tax grab under the proposed harmonization of the federal GST and Ontario PST, a new report concludes. The report is titled "New Housing is Different: Implications for Sales Tax Harmonization on New Home Buyers in Ontario." It was written for BILD (Building Industry and Land Development Association), the Greater GTA affiliate of the Ontario Home Builders' Association, by veteran housing analyst Frank Clayton, PhD, of the world's largest real estate consulting and advisory firm Altus Group. The report looks at nine Ontario municipalities and three different home types revealing tax increases for single detached homes ranging from \$8,957 (Windsor) to \$17,049 (Ottawa) in midmarkets outside the GTA, and from \$24,566 (Mississauga) to a whopping \$46,676 (Toronto) within the GTA.

"All told, harmonization of PST and GST without any offsetting measures by the provincial government would rip \$2.4 billion dollars out of the pockets of new homebuyers, slamming the homeowner door shut in the face of many Ontarians," said Stephen Dupuis, President and CEO of BILD. BILD Chair Leith Moore added that the proposal for GST/PST harmonization couldn't come at a worse time, and runs completely contrary to the Province's efforts to stimulate spending and jobs.

"There's no point putting the gas pedal to the metal from a stimulus standpoint while braking equally hard with the other foot, but that's what harmonizing the sales tax on housing amounts to," Moore said.

James McKellar, Professor of Real Estate and Infrastructure at the Schulic School of Business at York University, believes that "Ontario's impending tax harmonization scheme spells disaster for those building, buying, or selling homes." In a recent article that he wrote for the Financial Post, he stated that "the unintended short-term consequence is the likely delay or even cancellation of some "shovel-ready" housing projects that are in the pre-sale stage. This does not bode well for labour markets and particularly a construction industry that, according to Statistics Canada, is already suffering among the highest job losses of any industry in the country. Why is the government intent on spending taxpayer money to create infrastructure jobs and bail out the auto industry, all in the name of job creation, and at the same time charting a course to bring much of the housing industry to its knees?" McKellar continues on to say "Ontario's home builders have delivered quality product at a cost that has ranked for decades among the lowest in the Western world. But if the government refuses to move from its current position, the long-term unintended consequences on the performance and

efficiency of our housing markets will be significant and long-lasting."

Meanwhile, Ontario Home Builders' Association president Frank Giannone said harmonization is a "poison pill" for housing. "Housing is the only product that keeps on paying property tax after it is consumed. So to cripple the new homebuyer market at this time not only damages the provincial economy, it also hurts governments in terms of revenues. In addition, the HST would also add additional tax to future renovation projects, and we all know tax increases drive consumers into the underground economy and into cash deals. It makes no sense," he said.

Dupuis explained that builders are not fighting harmonization, but fighting for fair treatment of housing under a harmonized sales tax regime. "The reason housing gets hit so hard is that it is the biggest of the big ticket items and it's not currently directly subject to PST, for good reason," he said. "As matters currently stand, builders are paying an average of 2 per cent PST embodied in the price of each new home and they're prepared to keep on paying at that rate, notwithstanding all the other taxes, fees and levies they must endure. "What home builders are not prepared to do is to sit idly by while homebuyers are hammered to the tune of \$2.4 billion due to harmon-

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Harmonization a "Poison Pill" States Giannone

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ization. That's not on," Dupuis concluded.

"The Harmonization of the PST with the GST would have devastating consequences for the housing industry in Ontario," stated Giannone, who added, "This tax grab would add tens of thousands of dollars to the price of a new home in Ontario and would cripple a \$36 billion dollar industry that is already facing economic head-winds." Giannone noted, "Currently the PST is only applied to certain components of a new home or renovation project and harmonization would recalculate the PST in the same method that the GST is charged, which would be destructive to housing affordability. The experience in the Atlantic Provinces when the GST and PST were harmonized in 1997 was a long hard struggle for the housing industry and renovators went underground to escape paying any taxes, let alone the increases."

Giannone argues that the province should resist urges by some sectors in the economy and the

federal government to harmonize the PST with the GST. The upcoming provincial budget creates a tremendous opportunity to invest in infrastructure and lay the foundation for the next growth cycle, but targeting the residential construction industry with massive taxation increases would result in significant price hikes, job losses and an expansion of the underground economy. Giannone stated, "It is frustrating when it is stated that only smaller consumer items such as candles would be effected by harmonization when arguably that largest single purchase any Ontario citizen will ever make would be hit by at least an extra \$15,000 in taxes."

"Although housing starts in March continued to lag behind last year's activity, the impact of the global economy was not as severe in Ontario" stated Giannone, who added, "But just as builders were starting to see signs of life in sales offices in the early spring selling season, the province announced plans to increase the costs of new homes with harmonized sales tax." Giannone noted frustration across the new housing industry.

"I just don't understand why we are spending billions in taxpayer dollars to bail out the auto industry, while destabilizing the residential construction industry with massive tax hikes that will eliminate tens of thousands of jobs. Home builders are expecting a challenging year, and unless the provincial plan to harmonize sales taxes in 2010 is modified and corrected to treat future homeowners and renters fairly, this plans going to cause severe disruptions for consumers and our provincial economy." Giannone continued, "Sales tax harmonization is a jobs killer for the residential construction industry," adding, "New home buyers and renters simply can't absorb a six percent tax increase."

Giannone suggested, "There are some positive indicators out there such as a recent Ipsos Reid survey conducted by RBC which found that nearly three-quarters of Ontarians believe it's a buyer's market right now. Most housing analysts had previously forecasted that the housing market would really start to pick up again in the second half of 2010. But now with sales tax harmonization on the horizon, most home builders

will be preparing to downsize and eliminate jobs."

On a more positive note Giannone stated, "depending on how the province reacts to industry proposed transition rules and tax rates, the negative impacts of harmonization could be somewhat muted for middle-class home buyers who are hardest hit by the current tax proposal."

OHBA is forecasting a moderation in construction activity with slightly under 50,000 new housing starts in 2009.



Frank Giannone, OHBA President

The Festival of Trees

Written by: Paul Peterson, Chair of PKHBA Festival of Trees Construction Team, and Past President of the PKHBA

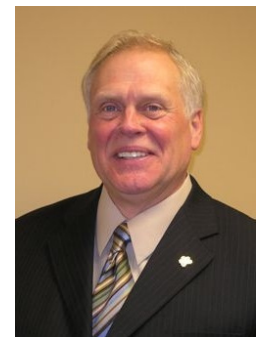
Every year for the past four years, members of the PKHBA have volunteered tradesman to help construct props and vignettes for the annual Festival of Trees.

Many thank you letters are owed to the following companies that have sent workers to assemble,

and then return after the festival to disassemble, displays: Kawartha Lakes Construction, Evergreen Home and Cottage, Wuis Brothers Construction, Parkview Homes, Monaghan Lumber, among other members in the past.

In preparation and planning for the following and upcoming year we are looking for construction design ideas and quick fastening

techniques to make the process faster, safer, and better. If you have design abilities, please forward your ideas to Paul Peterson, Chair of PKHBA Festival of Trees Construction Team. The Festival has a budget for some new construction this year, and we want to "do it right". Your contribution of both ideas and time is greatly appreciated!



Paul Peterson, PKHBA Past President

The Kawartha Skilled Trades Institute

With support from the Knowledge Infrastructure Program, Sir Sandford Fleming College will construct an 80,000 gross square foot skills training facility on the Sutherland Campus in Peterborough at an estimated cost of \$35.3 million. The request for funding is for \$34.3 million

The facility will provide a number of skilled trades specializations. The focus will initially be on construction skills including carpentry, welding, piping, millwright, and masonry. However, the facility will be flexible to accommodate other sectoral needs, particularly in manufacturing, in response to demand, regional needs, and opportunities.

This project will replace an obsolete 45,000 gsf facility. The existing facility, known as the McRae Campus, is a separate and satellite campus location in Peterborough. It is clearly inadequate, and is assessed by consultants engaged by the Province of Ontario to require demolition and sale rather than upgrading and renovation. The existing facility has severe limitations and is currently supplemented by rented facilities. The estimated land value is \$1 million.

The project will provide a modern, flexible, and highly productive learning environment. It will increase capacity for skilled trades education and training from approximately 500 student spaces

today to 1,000. Students will be enrolled in postsecondary programs, apprenticeship programs, and secondary school programs. Up to 200 of the spaces will be provided for secondary students in Dual Credit and High Skills Major Initiatives.

The Institute will be built to high environmental and energy efficiency standards consistent with LEED certification. Environmental sustainability and green building techniques will be incorporated into the teaching curriculum.

The Kawartha Skilled Trades Institute will provide training and retraining opportunities on behalf of employers and for displaced

workers. It will be a major resource for the region as we continue to go through a period of economic restructuring.

The Facility will be integrated into the main Sutherland Campus, enabling much improved access to services and supports for full-time students, apprentices, secondary level students, displaced workers, and workers accessing training.

The PKHBA is an Industry Partner with the Kawartha Skilled Trades Institute, and Paul Peterson is our representative on the Steering Committee.

Former PKHBA President Recognized for Lifetime Achievement

Former PKHBA President, David Mitchell (1962), was recently recognized for his Lifetime Achievement at the Lieutenant Governor's Ontario Heritage Awards. The 2008 Lieutenant Governor's Ontario Heritage Awards were presented to 23 individuals, two youth groups, and four communities for outstanding contributions to the preservation, protection, and promotion of Ontario's heritage. The award recognized achievements in conservation in three categories; David Mitchell received the Lieutenant Governor's Ontario Heritage Award for Lifetime Achievement for volunteer contributions to conserving community heritage over a period of 25 years or more.

"By helping to preserve the distinct character of our communities, these award recipients have made a significant contribution

to the province," said the Honourable David C. Onley, Lieutenant Governor of Ontario. "Their voluntarism is admirable and all Ontarians should be proud of their dedication to our heritage."

The Lieutenant Governor presented the awards at a Queen's Park ceremony on February 20, in the presence of the Honourable Lincoln M. Alexander, Chairman of the Ontario Heritage Trust, as part of the province's Heritage Week celebrations.

"These individuals and communities deserve recognition for their accomplishments," said Mr. Alexander.

"These award recipients have made outstanding contributions to communities across the province," said Culture Minister

Aileen Carroll. "Heritage Week is a fitting time to celebrate their commitment to heritage conservation."

The Lieutenant Governor's Ontario Heritage Awards were established in 2007 by the Honourable James K. Bartleman, former Lieutenant Governor of Ontario, in partnership with the Ontario Heritage Trust, and are administered by the Ontario Heritage Trust, an agency of the Government of Ontario dedicated to identifying, preserving, protecting and promoting Ontario's heritage. Also receiving a Lifetime Achievement Award from the City of Peterborough was Martha Ann Kidd.



*Right: David Mitchell, 1962
President of the PKHBA, at the
PKHBA's 50th Anniversary
in 2006*

PKHBA Auction Night a Success!

The Peterborough & Kawarthas Home Builders' Association held its Annual Auction Night on Wednesday, April 15th at the Peterborough Naval Association located at 24 Whitlaw Street. Following a lovely dinner, Keith Monk returned to act as the Auctioneer for the evening.

"I would like to thank everyone who contributed product and showed up to support the Annual

PKHBA Auction." states Don Dyck, PKHBA Auction Chair. "I hope that everyone had a good time. With your help we raised \$11,364.40. As you are aware this goes a long way to help keep our costs down and maintain the quality of service that you have come to expect." Don continued on to say, "A special thanks goes to Don Armitage, Susan Armitage, and Paul Lumsden for their assistance that evening. A very special

thanks goes to Brenda, who did not buckle under the pressure of her first PKHBA Auction. She did a great job of covering the details."

Any comments regarding changes that could be made to improve the overall evening would be welcome. Don has asked that members please send comments and suggestions to Brenda May to be forwarded on to him.



Don Dyck, PKHBA Auction Chair



Various photos from the PKHBA Auction Night, which raised \$11,364.40. Thanks to all members who attended and invited others to attend. Also, thank you to Don & Susan Armitage, Paul Lumsden, Brenda May, Keith Monk, and Don Dyck.



Education Series: Upcoming Sessions

Before our monthly dinner meetings, the PKHBA holds Educational Seminars for its members. All are welcome and encouraged to attend. Here is the schedule for upcoming sessions:

Date: September 16th, 2009

Theme: HVAC/Plumbing

Session 1 (4:00 pm): Rayco Heating & HVAC GeoThermal Systems & Updates

Session 2 (5:00 pm): The Original Flame/Gas Fireplaces

Date: October 21st, 2009

Theme: Building Code Changes

Session 1 (4:00 pm): Speaker TBD

Session 2 (5:00 pm): Speaker TBD

Date: January 10th, 2010

Theme: Business Planning

Session 1 (4:00 pm): Speaker TBD

Session 2 (5:00 pm): Speaker TBD

Many thanks to Doug Kendall, Chair of both the Technical Committee and the Training & Education Committee, who puts together these sessions for our membership.



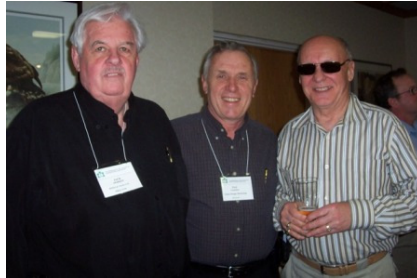
Doug Kendall, PKHBA Chair

Photos & Information Regarding our Monthly Dinner Meeting

The PKHBA held March's dinner meeting on Wednesday, March 18th at the Best Western Otonabee Inn. Our Guest Speaker was Peter Southall, Manager Public Works, from the City of Peterborough, and he had a very informative presentation regarding Half Load Restrictions, including an interactive question and answer session. Also, Paul Lumsden was given an Award of Honour in recognition for his efforts with the Kawartha Awards of Distinction.

IMPORTANT REMINDER:

This month's meeting will be held on Wednesday, May 20th, at a different location than usual. It will be held at the Olympia Restaurant & Banquet Room located at 106 Kent Street West in Lindsay. Our Guest Speaker will be Mr. Frank Giannone, President of the Ontario Home Builders' Association. We look forward to seeing you there!



Clockwise from bottom-left: Jack Pierson, Paul Lumsden, and Tim Corrigan.

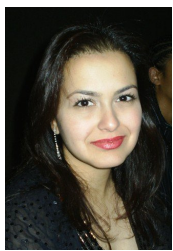
Paul Peterson, Peter Southall, and Murray Davenport.

Dave Barrett, Wayne Glancy, Dale Warren, and Doug Kendall.

Brian McKinley and Jason Hucul.

Don Dyck and Warren Rose.

Paul Lumsden and Paul Dietrich.



To make comments, or to suggest ideas, stories, or articles for the PKHBA newsletter, please contact Linda Oliveri, PKHBA Communications Chair, by email at: linda.oliveri@directenergy.com.

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The Peterborough & The Kawarthas' Home Builders' Association is a local, volunteer, not-for-profit dedicated to serving the housing industry by advancing professional growth and networking for our membership by providing quality affordable housing using environmentally sound practices.



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