CREDA
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION

Pre-Budget Consultation Submission 2026

Canadian CREDA Chapters: Greater Toronto, Edmonton, Calgary and Vancouver

Introduction

The Canadian chapters of the Commercial Real Estate Development Association (CREDA), formerly NAIOP, represent commercial real estate developers, owners, investors and related professionals operating in Calgary, Edmonton, Toronto and Vancouver. CREDA members invest in the housing and employment spaces that support Canada's growth.

Canada needs significantly more investment in housing and development. Yet the tax and financing rules that apply to real estate can increase the cost of new construction, discourage capital from being invested in new projects and make otherwise viable redevelopment opportunities difficult to advance.

As the federal government looks to increase housing supply and strengthen Canada's economic competitiveness, there is an opportunity to remove barriers within the existing tax and financing system that work against those objectives.

CREDA recommends three targeted measures to reduce unnecessary development costs, allow capital to move more efficiently into new investment and help unlock the conversion of underused office buildings into housing.

1. Eliminate Tax-on-Tax Treatment of Development Charges

Development Cost Charges (DCCs), which help municipalities fund the infrastructure and services needed to support growth, can represent a significant component of the cost of new home.

Under the current tax treatment, these charges are subject to additional taxes. While the DCCs paid directly to a municipality are not subject to GST/HST, when a developer recovers that cost through the sale of a new home, GST/HST applies to the total amount charged to the purchaser, including the DCC.

The impact is material. In Toronto, the DCC on a two-bedroom apartment is $80,690. The 5% federal sales tax represents $4,035 in costs to a new homebuyer. Including the provincial portion, the total cost rises to $10,490. While the amount varies across provinces and municipalities, the underlying issue is the same: government taxes are being applied to a government-imposed charge.

Development charges should instead be transparently identified in new home purchase agreements and excluded from sales taxes. This would reduce an unnecessary layer of cost for new home purchasers without reducing the DCC revenues available to municipalities to fund growth-related infrastructure.

Recommendation: Amend the federal GST/HST rules so that development charges and equivalent municipal growth-related charges recovered through the sale of a new home are exempt from the federal portion of GST/HST, and work with the provinces to secure equivalent treatment for provincial sales taxes.

2. **Unlock Private Capital for Rental Housing Through Tax-Deferred Reinvestment**

Canada cannot meet its housing needs through public investment alone. Private capital must be able to move efficiently from existing properties into new projects.

Under the current tax system, selling an existing rental property can trigger a significant capital gains tax liability, reducing the amount of capital available to reinvest in new rental housing. This can discourage transactions and keep capital tied up in existing properties rather than moving into new housing opportunities.

The federal government should establish a Canadian real property reinvestment mechanism modelled on the U.S. Section 1031 like-kind exchange. Under the U.S. model, property owners can defer capital gains tax when they sell a qualifying property and reinvest the proceeds in another qualifying property. The tax is deferred, not eliminated, allowing more capital to remain invested while preserving the government's ability to collect the tax when the gain is ultimately realized.

There is evidence that this approach can support investment and market activity. A 2020 U.S. study found that Section 1031 like-kind exchanges were associated with increased investment.

A Canadian model should be targeted at rental housing. It could allow capital gains to be deferred when proceeds from the sale of a qualifying Canadian rental property are reinvested in the acquisition, redevelopment or construction of another qualifying Canadian rental property within a prescribed period. This would allow more capital to remain invested in rental housing and support the creation and renewal of Canada's rental stock.

Recommendation: Amend the Income Tax Act to establish a tax-deferred reinvestment mechanism, modelled on U.S. Internal Revenue Code Section 1031, when proceeds from the disposition of a qualifying Canadian rental property are reinvested in qualifying Canadian rental housing. This would keep more capital invested in the rental sector, support the creation and renewal of rental housing, and improve the flow of capital between properties without eliminating the underlying tax liability.

3. Make Office-to-Residential Conversions Viable

Office-to-residential conversions can add housing, remove obsolete office inventory and support the revitalization of Canadian downtowns. The primary barrier, however, is financial viability. Conversion projects can face significant upfront costs for demolition, remediation, structural modifications and building system upgrades that can make projects difficult to finance.

The federal government already has financing tools that can help through CMHC's Apartment Construction Loan Program and MLI Select. While these programs support multi-residential construction, neither provide a dedicated pathway tailored to the distinct costs and risks of adaptive reuse.

CMHC should establish a dedicated office-to-residential conversion pathway within the Apartment Construction Loan Program and MLI Select. This would provide qualifying projects with access to low cost or insured financing during construction, recognize conversion specific costs such as demolition, remediation and structural work, and provide underwriting and loan-to-cost support that reflects the economics of adaptive reuse.

A dedicated CMHC pathway for conversions should also recognize the environmental benefits of preserving and repurposing existing buildings. Office-to-residential conversions can reduce embodied carbon by avoiding demolition and limiting construction waste. However, achieving the operational energy performance thresholds required under current CMHC criteria can be challenging and costly for conversion projects, even when the overall environmental benefit of adaptive reuse is substantial. The result is that many conversion projects are unable to fully benefit from CMHC incentive programs despite delivering meaningful outcomes. Projects should be able to earn points for the preservation and reuse of existing structures, allowing CMHC incentives to better reflect the full environmental value of conversions.

Build Canada Homes (BCH) can play a complementary role. The federal government should make adaptive reuse an explicit priority for BCH and use its flexible financing and funding tools to help close demonstrated viability gaps in suitable conversion projects.

Together, these measures would help move viable office conversions forward adding new housing while putting existing buildings and infrastructure to more productive use.

Recommendation:

Direct CMHC to:

- Establish a dedicated office-to-residential conversion pathway within the Apartment Construction Loan Program and MLI Select, providing qualifying projects with access to low-cost or insured construction financing and underwriting tailored to the unique costs and risks of adaptive reuse.

- Recognize embodied carbon preservation and building reuse within its scoring criteria for conversion projects.
- Build Canada Homes should prioritize eligible adaptive reuse projects and use its financing and funding tools to help close viability gaps and bring more conversions to construction.

4. Pause Changes to MLI Select Energy Efficiency Targets

Effective October 1, 2026, CMHC is significantly increasing the energy efficiency thresholds that new multi-residential construction projects must meet to earn points under MLI Select.

CREDA supports improving the energy performance of Canada's housing stock. However, program requirements must be achievable, cost effective and aligned with the federal government's overriding objective of getting more housing built.

At a time when rental projects are already facing high construction costs and challenging development economics, significantly higher MLI Select energy efficiency thresholds risk adding further cost and complexity. Under the new requirements, projects must perform at least 25% to 60% better than NECB 2020 Tier 1 or 20% to 70% better than NBC Tier 1 to receive energy efficiency points. These points provide access to some of the program's most valuable financing benefits, including longer amortization periods.

MLI Select is one of the federal government's most important tools for supporting purpose-built rental construction. Its requirements should encourage better performing buildings without making financing more difficult to access, increasing equity requirements, or delaying otherwise viable housing projects.

Recommendation: Pause implementation of the new energy efficiency thresholds and work with the development industry to assess the impact on project costs, financing and housing supply. Any revised standards should provide a pathway to improved energy performance while preserving MLI Select's core objective of increasing the supply of rental housing.

Conclusion

These recommendations will reduce the cost of new housing, keep more private capital invested in rental housing and help make office-to-residential conversions more viable for developers to pursue.

CREDA also encourages the federal government to consider opportunities to support the conversion of excess or unsold condominium inventory into rental housing, including through financing or investment tools similar to those being advanced by Build Canada Homes and the Building Ontario Fund in Ontario.

CREDA would welcome the opportunity to discuss these recommendations further and to work with the government on their design and implementation. Our members bring direct experience financing, developing and operating real estate across Canada and would be pleased to provide practical input on how these measures can be structured to support investment and increase housing supply.