



**Remarks by Peter Polley**  
**Owner of Polycorp**  
**Standing Committee on Law Amendments**  
**Bill 339 – Financial Measures (Fall 2023) Act**  
**October 22, 2023**

My name is Peter Polley. For those who weren't here during my appearance last week on Bill 329, for the last 30 years, my company, Polycorp, has developed and built residential housing – both for rent and for sale – in the downtown Halifax, the north end of Halifax, in Bedford, in Armdale, in Spryfield near Long Lake Provincial Park and in Wolfville.

As I noted in my comments last week, it's long since time for elected officials and their staff to start listening to the experts in housing.

As I said last week, one of the major reasons we are in a housing crisis in Nova Scotia and in Canada is because of government.

Governments at the federal, provincial and municipal levels have not made housing a priority.

All political parties and all levels of government are responsible for this failure.

And by and large, governments at all levels have collectively done a terrible job of acting on the advice from those that actually build housing.

**I am going to keep saying this over and over and over until the government starts listening to the myself and my colleagues in the housing development industry.**

As I made clear last week, none of my colleagues in the development industry will speak out on housing issues. They do not want the negative exposure associated with attending these public sessions. They do not want to take the time or risk the exposure of being critical of the government, nor do they offer solutions in a public forum like this.

In my presentation I said that other builders do not present in this forum because they do not want to be punished for speaking out.

Over the past week, since I attended the last Law Amendment Committee meeting, I came under attack from two members affiliated with HRM in retaliation for my comments before the Law Amendments Committee about the changes to the HRM Charter and the HRM Housing Act.

I will address those two examples outside of this Committee, but it underscores the risk faced from speaking out by those who build housing, who should be supported in solving the housing crisis.

Now, back to the main presentation regarding **Bill 339 – Financial Measures (Fall 2023) Act.**

The only way we can actually solve our housing crisis is through a massive amount of new housing construction done by the private sector. Non-profits or public cannot fix this problem by themselves without the private sector.

The last few years have not been easy for the development of new housing units in Nova Scotia, in Halifax, in particular.

Unprecedented run up in materials and labour costs.  
Simultaneous material and labour shortages.

COVID and its aftershocks have wreaked havoc on project scheduling and supply chains. A doubling or tripling in interest rates.

The government needs to do whatever they can to support private sector builders.

It is great news that the Government of Canada is increasing the GST rebate for new rental housing construction in Canada as a major effort to increase the supply of new rental housing.

It is even greater news that Premier Houston has committed to “matching” Minister Fraser’s initiative.

You are probably NOT aware of the magnitude of this policy change on the GST and HST rebates announced. I want to put the size of the HST cost on new rental housing in Nova Scotia in perspective.

The HST is the largest single budget item for our “under construction” new rental housing projects.

The HST is higher than our land cost.

The HST is higher than our projects’ entire concrete and steel structure cost from footings to roof, including the roof.

The HST is higher than the combination of all of the electrical and mechanical systems combined [which we hope will includes considerable renewable energy systems].

The HST has been a punitive tax on the rental housing development industry. The federal government is to be applauded for listening to industry and experts regarding the anticipated benefit of the GST being removed on rental housing supply.

But the impact is even bigger in Nova Scotia than the federal announcement of the GST rebate being increased to 100% of the GST amounts that would otherwise be payable.

It is monumental news that the Province of Nova Scotia will also provide relief from the provincial portion of the HST. The provincial portion of the HST is three times the size of the GST. The math is a bit complicated, so it is worth speaking to this committee so that hopefully they understand it.

The HST is comprised of the 5% federal GST component and 10% representing the former provincial sales tax component [“PST”]. I will call the 10% “PST” for short, even though it is not officially PST.

Since the inception of the GST in 1991, there has been a 36% rebate of the GST. This means that the federal GST is actually reduced to 3.2%, after the existing GST rebate program.

Nova Scotia historically has had no rebate program for the PST on rental housing. Rental housing builders pay 10% on the project as PST. Some other jurisdictions, such as Ontario, had actually had listened to industry in past years and created sizeable PST rebates for rental housing in their provinces. But in Nova Scotia, we have been paying 10% PST on new rental housing development since the creation of the HST.

The PST is more than three times the size of the GST on rental housing!

Bill 339 will have a huge impact on the cost of new rental housing.

Now let's speak to some of the finer points.

It is understandable that when the federal Ministers worked to finalize the details of the proposed changes to the Excise Tax Act, it was required that some criteria be established to determine eligibility. It is understood that under Bill C-56 that is presently before the House of Commons, the 100% GST rebate will apply to buildings that are started AFTER September 13, 2023.

Under Bill 339 that the Committee is considering today, the provincial government followed this date for eligibility, presumably for simplicity.

There is a small handful of builders across Canada like POLYCORN that have been highly supportive of the Government of Canada's National Housing Strategy over the past five years. Polycorp has engaged with CMHC to develop four sizeable affordable housing projects under CMHC programs, totalling approximately 400 apartment type homes. POLYCORN was one of the first participants in the fledgling RCFi program in 2018, with a Wolfville project that was prominently featured in the 2019 federal budget as an example of the government's commitment to affordable housing development.

We currently have two of these four affordable housing projects under construction in partnership with CMHC in Nova Scotia. One is in Wolfville and the other is in Halifax.

The road to develop these private sector affordable housing projects is not smooth or quick. As rental housing builders, we accept a significant discount to the market rents to participate in these programs that is only partially made up by the affordable housing benefits.

We are partially subsidizing the affordable housing projects ourselves to "do the right thing" to help deliver affordable housing to Canada.

As stated earlier, the last several years have not been easy. When we started these projects, interest rates were considerably lower than they are now, with interest rates doubling in the last two or three years.

The rental commitments and approved rents that we have made under these programs have not kept pace with either the increase in interest rates or dramatically increased construction costs.

Our spread to market rental rates has increased in the last few years, so that participating in these affordable housing programs requires an even large financial contribution from the developer than when we started them.

We could have terminated our participation in these projects out of sole self interest, if profit was the sole motivator, but we want to see them through.

However, the GST / HST will be added to the cost of these “under construction” affordable housing projects, by virtue of the fact that they were started before September 13.

This represents an amount LARGER than the investment we will require to start a comparable number of additional new rental suites, to further increase Nova Scotia’s housing supply.

**We have respectfully requested that Minister Fraser request a modification to the wording of the Bill C-56 An Act to amend the Excise Tax Act and the Competition Act.**

**The modification would allow affordable housing projects that are currently under construction that participate in National Housing Strategy programs to qualify for the GST**

**rebate increase, notwithstanding that they started construction prior to September 13, 2023.**

While we do not have access to the data to do a calculation of the incremental cost to the Government of Canada, or the government of Nova Scotia an educated estimate is that the cost would be minimal in the overall context of solutions proposed to increase supply.

While the increase in the GST rebate on these projects will not be traced to their start, it can be traced directly to the start of our next projects.

We would be happy to make the commitment that 100% of the GST/HST rebated on these projects would be used to construct additional new rental housing units in Nova Scotia to plow the rebate back into housing.

We would be happy to sit down with Minister Fraser and Minister MacMaster to discuss the logistics and intricacies of such an arrangement and propose wording for such a commitment.

Two other issues arise out of the Premier's announcement :

**Issue # 1 – Duration**

The rebate announced is for two years. We are planning the next project for the next 10 years.

A longer-term commitment is required. We cannot make decisions today based on a program that could end in two short years.



## **Issue # 2 – Amount**

The wording that was used when the announcement was made was “match”.

It is ambiguous as to what exactly “match” means.

The only “Match” that is acceptable to industry is to rebate 100% of the provincial portion of the HST.

Not 50%, not 75%.

100%.

We specifically ask Minister MacMaster to direct his staff to ensure that the portion of the PST that is rebated as they move forward in the rebate program development be set at 100% of the provincial portion of the HST.

Please pass Bill 339 and please ensure our concerns are addressed so as much affordable housing as possible gets built.

Thank you.

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