



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

44th PARLIAMENT, 1st SESSION

Standing Committee on Finance

EVIDENCE

NUMBER 034

Monday, March 28, 2022

Chair: Mr. Peter Fonseca



Standing Committee on Finance

Monday, March 28, 2022

• (1100)

[English]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): I call the meeting to order.

Welcome to meeting number 34 of the House of Commons Standing Committee on Finance. Pursuant to Standing Order 108(2) and the motion adopted in committee on January 12, 2022, the committee is meeting on the inflation in the current Canadian economy.

Today's meeting is taking place in a hybrid format. Pursuant to the House order of November 25, 2021, members are attending in person in the room and remotely using the Zoom application. The proceedings will be made available via the House of Commons website, and the webcast will always show the person speaking, rather than the entirety of the committee.

Today's meeting is also taking place in a webinar format. Webinars are for public committee meetings and are available only to members, their staff and witnesses. Members enter immediately as active participants. All functionalities for active participants remain the same. Staff will be non-active participants and can, therefore, view the meeting only in “gallery” view. I would like to take this opportunity to remind all participants to this meeting that screenshots and taking photos of your screen are not permitted.

Given the ongoing pandemic situation and in light of the recommendations from the health authorities, as well as the directive of the Board of Internal Economy on October 19, 2021, to remain healthy and safe, all those attending the meeting in person are to maintain two-metre physical distancing. They must wear a non-medical mask when circulating in the room, and it's highly recommended that the mask be worn at all times, including when seated. They must maintain proper hand hygiene by using the provided hand sanitizer at the room entrance. As the chair, I will be enforcing these measures for the duration of the meeting, and I thank members in advance for their co-operation.

To ensure an orderly meeting, I'd like to outline a few rules to follow. Members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. You have the choice at the bottom of your screen of floor, English or French audio. If interpretation is lost, please inform me immediately and we will ensure that interpretation is properly restored before resuming the proceedings. The “raise hand” feature at the bottom of the screen can be used at any time if you wish to speak or to alert the chair.

For members participating in person, proceed as you usually would when the whole committee is meeting in person in a committee room. Keep in mind the Board of Internal Economy's guidelines for mask use and health protocols.

Before speaking, please wait until I recognize you by name. If you are on the video conference, please click on the microphone icon to unmute yourself. If you are in the room, your microphone will be controlled as usual by the proceedings and verification officer. When speaking, please speak slowly and clearly. When you are not speaking, your microphone should be on mute. I would remind you that all comments by members and witnesses should be addressed through the chair.

With regard to a speaking list, the committee clerk and I will do the best we can to maintain a consolidated order of speaking for all members, whether they are participating virtually or in person.

The committee agreed that during these hearings, the chair would enforce the rule that the response by a witness to a question should take no longer than the time taken to ask the question. That being said, I request that members and witnesses mutually treat each other with respect and decorum. If you think the witness has gone beyond the time, it is the member's prerogative to interrupt or ask the next question, and to be mindful of other members' time allocation during the meeting.

I also request that members not go much over their allotted question time. Though we will not interrupt a member's allotted time, I'd like to keep you informed that our clerk has two clocks, to time our members and witnesses.

I'd now like to welcome today's witnesses.

As an individual, we have Hilliard MacBeth, author and investment adviser. From ACORN Canada, we have Sarah Lunney, member for the New Brunswick chapter. From the Canadian Real Estate Association, we have Michael Bourque, chief executive officer, and Shaun Cathcart, director and senior economist of housing data and market analysis. From Force Jeunesse, we have Simon Telles, president. From Markee Developments, we have Jennifer Keesmaat, who is a partner there. From Maytree, we have Elizabeth McIsaac, who is president.

Before we go to opening remarks by witnesses, at the end of the meeting, members, we will leave five minutes or so for the adoption of the subcommittee report that was distributed on Friday at 4:34 p.m., along with a draft work plan. All members should have received that.

• (1105)

Now we will go to our first witness for opening remarks.

Mr. Hilliard MacBeth, go ahead for five minutes, please.

Mr. Hilliard MacBeth (Author and Investment Advisor, As an Individual): Thank you for this invitation to contribute to this very important work in tackling the question of what to do about inflation. I am here as a private individual and author of three books on finance. I also work as an investment adviser and portfolio manager with one of Canada's largest independent wealth management firms. I'm now in my 43rd year of doing that work.

My first book, called *Investment Traps and How to Avoid Them*, warned of the stock market bubble in 1999. The second and third publications came out in 2015 and 2018 as first and second editions of the book *When the Bubble Bursts: Surviving the Canadian Real Estate Crash*. People have noticed that it has been six years since the first edition was released and the housing bubble keeps getting bigger and bigger. Does that mean that the bubble will never burst and my thesis is wrong? I like to explain it this way: I am not going to be wrong about the housing bubble bursting, but I am very early.

I wrote books on housing bubbles because I kept hearing from my clients and others that housing prices will always go up. As an investment professional, I get nervous when people become so certain about an investment, especially one that involves borrowing so much money. Each year, more people were getting themselves and their children heavily invested in housing. By 2010, the housing bubble was well on its way, and since the brief COVID-19 recession in 2020, it has become a full-blown mania probably unsurpassed anywhere in the world.

I see parents and grandparents putting a secure retirement at risk by gifting large down payments to their offspring, co-signing huge mortgage loans and buying second and third properties, often used to provide housing for their children at little or no rent. While this will be fine if house prices never drop, it will be a disaster if we see a crash, as happened in the U.S., Ireland and Spain during the global financial crisis.

The topic today is inflation, not housing bubbles, but there is an important connection between the two. When people say "inflation", they usually mean the consumer price index. In my research, I found there is a complicated relationship between the CPI and house prices.

House prices in Canada on average have grown at more than 7% per annum over 22 years. This means a fourfold to fivefold increase in total. In dollar terms, a \$200,000 house in the year 2000 is now costing about \$800,000 to \$900,000, and even more in Toronto and Vancouver.

This is obviously inflation, and the CPI considers the cost of housing as its most important component. In the CPI, shelter costs, as housing costs are called, are weighted 31%, but while house prices increased at 7% or more per year, the shelter component of inflation increased by only 2.6% per annum.

It might be a surprise to learn that the CPI does not include house price purchases when calculating inflation. To illustrate this, I distributed a chart to members of the committee that shows seven in-

dexes. It is a very busy chart. The chart shows house prices in Vancouver and Toronto and the Canadian average house price, as well as outstanding household debt. The chart also shows median after-tax income, CPI and shelter costs. All data series are rebased to start at index level 100 in the year 2000.

In 2022, house prices and household debt are all well over 400, with Vancouver over 500, but the shelter cost index has increased to only 175, while CPI and after-tax median income are both just under 200. Therefore, house prices have more than a fourfold increase and shelter costs have less than a twofold increase. If house prices followed the shelter component of CPI, that \$800,000 or \$900,000 house today would cost only \$350,000. Now that would be nice, at least for the first-time buyer.

Instead of house purchase prices, the CPI uses a monthly payment approach to shelter costs. Since the interest cost in the monthly mortgage payment is usually the largest part of shelter costs, when interest rates are low or are pushed lower by central banks, the cost of shelter also remains low. Keeping interest rates low, and therefore the cost of shelter low in the CPI, allowed the central bank to ignore the housing bubble. However, if the Bank of Canada allows mortgage rates to rise above inflation, there will be a sharp increase in the monthly payment, causing the shelter component to rise faster than the CPI.

Before I wrap up my statement, I want to mention one other key issue that connects housing prices and inflation. That is the world-leading burden of private sector debt in Canada. Private sector debt is household debt plus corporate debt, not including the financial sector, usually as a ratio of GDP.

The need to borrow to keep up with house prices has led Canadians into a dangerous place when comparing our private sector debt to that of other countries. Research shows that any country that has a ratio of private sector debt to GDP over 150% and has experienced rapid growth in that ratio will endure a financial crisis eventually. Household debt alone is 110% of GDP. Of course, most of that is mortgage debt. Recently, corporate debt has grown rapidly also, to about 123% of GDP, so total private sector debt at 233% is well above the minimum threshold for a financial crisis.

• (1110)

Raising interest rates with such an elevated burden of private sector debt will be difficult, but inflation must be lowered, even if it means bursting the housing bubble and triggering a recession.

Thank you for your attention, and I look forward to your questions.

The Chair: Thank you, Mr. MacBeth.

Now we'll hear from ACORN Canada.

Sarah Lunney, you have up to five minutes, please.

Ms. Sarah Lunney (Member, New Brunswick Chapter, ACORN Canada): Thank you and good afternoon.

My name is Sarah Lunney. I am a member of ACORN's New Brunswick chapter. Thank you for inviting us to be at this committee hearing.

ACORN is a national, membership-based community organization of low- to moderate-income individuals fighting for social and economic justice. We started in 2004 in Weston, Toronto, and now have over 160,000 members.

Healthy and affordable homes are ACORN's core campaign. I'm here today to speak with you on some issues and policy recommendations that we would like to bring to your attention in relation to housing inflation.

First, we are deeply concerned that the federal government is currently investing billions of dollars into developing more unaffordable rentals. Recent reports from the parliamentary budget office and the National Housing Council have raised serious concerns regarding the delivery of the national housing strategy programs, the NHS. The housing supply created by the NHS programs do not meet the needs of those who are in core housing need, people who are living in unaffordable, unsuitable and uninhabitable housing. The programs are designed currently to cater to middle-income families.

The main issue is the way in which these programs define affordability. Rent in these developments is 30% of the median household income of the area where the development is taking place, which is often too high. Moreover, the period for affordability is to be kept for 10 years to a maximum of 21 years.

We need the federal government to build real affordable housing and target the people who need it most. A minimum of 1.2 million units of affordable housing is needed in the next decade. Housing built must target people in core housing need. That would be individuals with household incomes between \$10,000 and \$30,000 a year. The housing needs to be kept affordable in perpetuity.

The second issue that is contributing to the housing crisis is that the majority of funding is currently going to private developers and not to non-profits or co-ops. Fifty-seven per cent of total funding under the NHS has gone to private developers. We need a CMHC acquisitions fund to enable non-profits, co-op and land trust organizations to purchase at-risk rental buildings when they come onto the market.

The third issue in relation to housing inflation is the massive tax exemptions going to real estate investment trusts, also known as REITs. ACORN's "Rein in the REITs" campaign has shown how the federal government is losing billions of dollars by giving preferential tax treatment to REITs. At the same time, these corporate landlords are reinforcing renoictions and demovicting tenants, destroying affordable housing and forcing tenants to often live in uninhabitable housing.

ACORN's research with the Canadians for Tax Fairness shows that if REITs were taxed at the same rate as non-REIT Canadian corporations, they would have paid over \$1.2 billion more in taxes since 2010. This was based on an analysis of seven REITs.

CMHC is helping REITs by giving them insured mortgage products to secure the financing required to acquire more and more apartments. ACORN's new research found that financialized landlords actually fare worse when it comes to maintenance of their buildings.

In Ontario, where landlords are allowed to do above-guideline rent increases, known as AGIs, 19% of tenants living in apartments owned by financialized landlords said that their landlord got their AGI.

From our perspective, the federal government should stop giving massive tax exemptions to REITs by closing the tax loophole in the Income Tax Act. Any CMHC-backed financing should include a "no displacement" guarantee as a condition to providing any insurance to entities such as REITs. The federal government also needs to regulate banks to not provide financing for acquisitions when the purchaser intends to increase rents beyond the guideline amount.

Lastly, the current lack of or inadequate rent control is another important issue on which we need federal leadership. Renting is becoming more and more unaffordable. CMHC shows that the average rent in Ontario for new housing built in 2021 was \$2,222 per month. Lack of rent and vacancy control offer major incentives for landlords to evict tenants and/or displace them by not doing repairs or pursuing other means to evict tenants.

As stated in Steve Pomeroy's paper from 2020, as part of the anti-inflation measures in the mid-1970s, the federal government requested that all provinces enact rent control. We are in an unprecedented situation with a health and financial crisis, an ever-worsening housing crisis and inflation. The federal government has the power to mandate or incent rent control in all provinces to protect and promote the right to housing. Precedence for this has already been set at the federal level, as outlined in Pomeroy's paper.

There is mention in the mandate letter to the Minister of Housing regarding amendments in the Income Tax Act to discourage landlords from jacking up rents post renovation, but there's no mention of eviction for so many other reasons that are not related to renovation.

• (1115)

I'd like to close out by saying that there are still tens of thousands of tenants who have been evicted, or who are at risk of eviction, due to accumulated rental arrears during the pandemic. We have asked the federal government to implement a rent relief program for people who have been falling through the cracks since the pandemic began. We still believe the federal government needs to act on this.

Thank you very much for having us today. I look forward to your questions.

The Chair: Thank you, Ms. Lunney.

Now we'll hear from the Canadian Real Estate Association, from Michael Bourque and Shaun Cathcart.

You have five minutes, please.

Mr. Michael Bourque (Chief Executive Officer, Canadian Real Estate Association): Good morning. Thank you for inviting the Canadian Real Estate Association today.

In a moment, you'll hear my colleague Shaun Cathcart provide some pretty clear evidence that the supply of new homes is not even close to keeping up with demographic changes and population growth, as it did in the late eighties and early nineties. Until we understand how significant the supply deficit is, how pernicious the problem is with respect to new construction, and how we need to take a radically different approach across the board, we will continue to see significant housing inflation.

It should come as no surprise that with housing becoming a scarce asset, prices will continue to increase. There are many reasons for the inadequate supply response. These have been discussed at length. Nimbyism, red tape, high fees and delays for permitting at the municipal level are the main ones.

I believe we need to focus on three areas. The first is federal, provincial and municipal collaboration, including conditions attached to infrastructure spending to encourage faster permitting, more open zoning, and reduced fees and other impediments to new construction.

Second, we must transform available land currently held by all levels of government into housing—housing that meets the needs of citizens across the housing spectrum.

Third, we need innovation. We need to accelerate efforts to build homes, using modern technology and tools to speed up the process. We also need innovative approaches, such as when the federal government created the town of Ajax after the war to accommodate returning servicemen and servicewomen.

My main message for the committee is that housing inflation will persist until there is the collective realization that we need to lend a great deal more urgency to the creation of new housing supply and start to take a radically different approach.

I'll hand it over to you, Shaun.

Mr. Shaun Cathcart (Director and Senior Economist, Housing Data and Market Analysis, Canadian Real Estate Association):

Thanks very much, Michael, and thank you to the committee for this opportunity.

Now, I'm an economist and an analyst. I've been making the housing data that we're all talking about for 18 years from my desk, seasonally adjusting with StatCan. I'm a chart guy. I believe a picture is worth a thousand words.

To the chair or the clerk, I distributed a slide deck that I understand is not able to be shown. Is it okay if I take a bit of an analog approach and show it like this? Would that be okay?

The Chair: It has been circulated to members. They have received it. If we put it up on the screen, it won't be seen.

• (1120)

Mr. Shaun Cathcart: Okay. I'm just going to hold it up. Hopefully it works.

I know that Scotiabank appeared before this committee and talked about dwelling units per capita. It's such an easy, "meat and potatoes" starting point for this problem. The number of people who need somewhere to live and the places we have available for them—not necessarily available in the marketplace but just existing—is the logical starting point.

If you look at chart 2 of the slide deck I've shown, the distribution of Canada's population by age is very uneven. Fifty years ago, the median age in this country was 25, so half of the population were not likely to be homeowners or to have a place of their own, but as time has gone on....

When you look at 2021, you can see we are very much a middle-aged population. You have your boomers, your Gen-Xers and your millennials, who are all in or past their thirties, but not elderly. This creates a huge under-the-surface demand for what could be called "headship rate" I suppose, or having a place of your own, wherever that is on the housing continuum.

If you look at what we've been building over 50 years, as well—this is CMHC data, which hopefully you can see if you're following along at home—the yellow is apartment units. That's the majority of what we're building these days. There have been fewer single, low-density homes built in the last 20 years, which is fine, but for anyone following along in the slide show, in the middle of that chart, appropriately, are your townhomes and semi-detached homes—what's called "medium density" or "the missing middle". That term was coined 10 years ago, and it's still as missing as it's ever been. We can't go around calling everything "units" and saying we're building enough units, when you have an increasingly middle-aged society and you're building more and more tiny condos.

What happens is that, with the data we track for the existing home market, the inventory all gets absorbed. To some extent, some subset of that inventory is available every year, and when you're getting five or 10 offers on some of these places, the demand is much stronger than the sales we're able to count. What happens is that the overall supply of listings.... If you were to go on realtor.ca today and look for a home for sale, there would be fewer pins on that map than there have ever been. That is the major supply issue we have, and it keeps falling.

That's out of a record housing—

The Chair: Mr. Cathcart, please wrap up.

Mr. Shaun Cathcart: I'll wrap it up.

Right now, we have the tightest market conditions and the strongest price growth we've ever seen in Canada, as of data published a week ago.

The Chair: Thank you. You'll have a lot of opportunity during question time to answer questions and give more colour to what you're saying.

Now, we have Simon Telles from Force Jeunesse for five minutes.

[*Translation*]

Mr. Simon Telles (President, Force Jeunesse): Thank you very much, Mr. Chair.

Members of the committee, it's a pleasure for me to be here with you today.

First, I'd like to introduce myself. My name is Simon Telles. I am a nonprofit lawyer, but I am here today as president of Force Jeunesse.

Force Jeunesse is a nonprofit organization made up of young volunteers from all walks of life. It is non-partisan and its mission is to advocate for young people's rights and interests, ensure intergenerational equity in public policy, and promote youth engagement and inclusion in decision-making.

We're here today primarily to talk to you about financial insecurity among youth. As the whole country is coping with a significant increase in the cost of living, we at Force Jeunesse have been looking at the impact of inflation on young people, who, as you will see, are a particularly vulnerable group due to a variety of factors.

Generally speaking, what we did was compare inflation data with data on changes in average wages. What we see very clearly is that Canadians' purchasing power has declined since last year. Over the past year, the inflation rate has been about 5.1%, while average wages have increased by only 3.4%. Therefore, wages in the general population have clearly not grown enough to offset the rising cost of living.

I'd like to draw your attention to the impact of this increase on 15- to 24-year-olds. In one year, wages for these young people actually decreased by 0.6%, so in addition to inflation, we must consider the fact that overall compensation for these young people has decreased, which places an even greater burden on them. Targeted measures are therefore needed to help this group of Canadians.

The situation is not much better with the unemployment rate, unfortunately. In the general population, the unemployment rate is about 5.5%, while it's twice that among 15- to 24-year-olds. In fact, the unemployment rate in this group is 10.9%, making them by far the age group with the highest unemployment rate.

Why have young people been hit harder by inflation and the current situation? It's because, according to Statistics Canada, half of them are employed part-time and 62.8% are in jobs considered to be non-standard. This has consequences on their job insecurity, in that the vast majority of young people can't collect employment insurance. For that, they must meet specific conditions. Significant assistance could be provided to young people, but that's not the case right now. Therefore, if the government wants to fight the effects of inflation on young people, it must reform the EI system to make it more accessible to them.

I'm talking about young people in the workforce, but obviously a lot of young people are in school and they are also being hit hard by inflation. So it's important that student grants be indexed for the rising cost of living as well. Special measures were taken during the pandemic. It's important to us that they be extended, once again so that the financial insecurity that young people in school are experiencing doesn't get any worse.

The impact of the crisis, if you will, or inflation, is also being felt in the labour market right now. One of our concerns is that the economic hardship resulting from the current situation is leading to the deterioration of working conditions for young people. One thing we're concerned about is orphan clauses. These clauses specifically target young people hired after more experienced workers, and they provide lower quality working conditions for them. Because clauses like these are more likely to crop up in situations like the one we are in now, we believe it's important that the government amend the Canada Labour Code to provide added protections for workers. Currently, employers can't offer two people a different wage for doing the same job. On the other hand, other working conditions could be modified and come to harm young people, which is a serious concern for us.

I've heard many other witnesses talk about the issue of housing and home ownership. I don't need to tell you that this concern affects young people especially, who are at the beginning of their lives and want to build a family and settle down. At the moment, they are unable to buy property. Even if they are renting, they now have to spend a very big chunk of their budget on housing. This puts a lot of pressure on young people, whose income is generally below the average salary because of the situation I've just described. Of course, one's wages are lower at the beginning of one's career, and young people have to deal with added pressures.

● (1125)

It's clear to us that the federal government has to increase the supply of social housing and create incentives in the private sector to get more housing built. In addition, the government needs to find ways to provide targeted financial support to households that need it most. In particular, we find that low-income households with no kids are currently falling between the cracks.

In closing, I absolutely cannot miss out on the opportunity to talk to you about climate change, which also has an impact on financial insecurity. We saw it in this country this year after various natural disasters disrupted the supply chains. If we want to reduce the overall consumer price index, inflation and youth insecurity, it's also important to continue our efforts to address climate change so we can mitigate its impact.

I will stop here. I look forward to answering your questions.

The Chair: Thank you, Mr. Telles.

[*English*]

We'll now move on and hear from Markee Developments.

Jennifer Keesmaat, you have five minutes, please.

Ms. Jennifer Keesmaat (Partner, Markee Developments): Honourable members, I'm thrilled to be here with you today.

My presentation picks up on a series of themes that have been introduced by others in the context of their deputations.

I would like to put on the table a tangible solution to address the housing supply issue, as well as the cost of housing that we see in the Canadian context, by looking specifically at how we address taxation. We know that Canada's housing system is broken. You've heard that again and again this morning. We see it every day in the newspaper, but this is facilitated partly by government policy that this committee can address.

Just to put this in context, over the last 20 years in Toronto, where I live today, the average home price has increased by more than 440%. A home that you could have bought for about \$230,000 in 1999 now costs \$1.3 million in 2022.

If housing prices had risen by only the rate of inflation over the same period, that house would cost \$368,000, just to put a fine point on the fact that our largest household expenditure by a long shot is housing. In fact, that is where we're seeing the most dire inflationary issues today.

Recent data shows that investors now account for one-fifth of all home purchases in Canada, with an even higher percentage in some cities. We should really ask the question, how can we prevent that dynamic? This isn't really surprising, because housing is a great place to make money. We have truly financialized housing.

The question is, how do we reverse that? Government policies, as I'm going to outline, can play a critical role in shifting housing from an asset class for investors to necessary infrastructure within Canadian cities. Just think about that as a framework change. Housing as an asset class for investors; that's what we have today. We can shift that to be housing as necessary infrastructure within Cana-

dian cities and towns that is essential for sustainable and more equitable economic growth.

The undersupply issue has been already talked about quite a bit today, so I'm not going to speak to that significantly, but, for example, just in Toronto alone, we have a rental stock that must expand by more than 50,000 new rental units over a two-year time frame, and by more than 10,000 in Vancouver and Montreal, just to give you a sense of the magnitude of the gap. We are currently building approximately 4,000 units a year, so not only are we already in a deficit situation when it comes to housing supply, but it is getting worse. Over the decades that we've been talking about this problem, it is getting exponentially worse on an annual basis.

This chronic undersupply of housing, coupled with sustained population growth, which we know is expected to continue, means that the problem will get worse before it gets better, and we need substantial interventions.

I'm going to speak today about two specific interventions. High immigration levels are essential to economic growth, but will worsen the housing affordability crisis if we do not engage in a significant housing building boom, particularly affordable housing.

I'm putting on the table specific recommendations related to new supply and, in particular, affordable supply. We want to discourage housing from being used as a financial asset for investors, and we should differentiate this from owner-occupied housing as a financial asset. We also want to drive down the costs of construction by redirecting the construction industry to less expensive, market rate housing that is being used by investors, and more toward the delivery of affordable housing.

The first recommendation is that we need to create a tax that will tax capital gains in housing as you would employment income. As it stands today, we know that investors are not taxed on condos as for employment. This is why it's such an alluring business model, but we can fix that by shifting the way taxation takes place.

The revenue from this taxation could be used to incentivize and subsidize affordable housing. It would likely create a recalibration within the marketplace that would take a couple of years, but then our construction industry would be focused on building affordable housing as opposed to building an asset that is a financial tool that primarily delivers incredible returns rather than providing housing for Canadians.

● (1130)

This second critical recommendation is the establishing of a program or a suite of programs to incentivize the creation of a new affordable housing supply. In particular, a specific example of this would be HST forgiveness on affordable units.

I'll give you an example of a project we're working on where the project's pro forma is not viable. We would like to build 25% affordable housing. The project's pro forma included an estimated \$18 million of HST revenue. A simple forgiveness of a portion of the HST on this project would tip the project back into viability.

Moreover, the fact that the project is not viable without some sort of incentive means that it will not move ahead as is, which means that it will not—

• (1135)

The Chair: Ms. Keesmaat, could you start to wrap up, please? You have 20 seconds.

Ms. Jennifer Keesmaat: It means that it will not kick off the \$18 million of HST revenue modelled in the pro forma, and this in turn means that if the federal government were to forgive the HST or provide a grant in the amount of \$8 million, it would actually be a revenue-positive scenario for the government in terms of tax revenue.

Thank you very much.

The Chair: Thank you, Ms. Keesmaat.

We're moving to hearing from the Maytree, and we have Elizabeth McIsaac with us.

You have five minutes, please.

Ms. Elizabeth McIsaac (President, Maytree): Thank you for the invitation to present here today.

I am speaking to you from Toronto, which is covered by Treaty 13 with the Mississaugas of the Credit and is the traditional territory of many other nations.

My name is Elizabeth McIsaac. I'm the president of Maytree. We're a private charitable foundation that works to advance systemic solutions to poverty and strengthen civic communities. We believe the most enduring way to fix the systems that create poverty is to ensure that economic and social rights are respected, protected and fulfilled for all people living in Canada.

At Maytree we've focused our policy and research efforts on income security and housing. As the committee undertakes its study of inflation in the current Canadian economy, I want to focus my remarks on two elements of that study: the rising cost of housing and the rising cost of food, and how they impact those who experience poverty.

For people who are living in deep poverty, by which I mean those whose income is less than 75% of what the Canadian government defines as the poverty line, the margins of a monthly budget are excruciatingly tight. Expenses to cover the basic essentials of food and shelter often exceed income. Even a slight cost increase can cause significant hardship and risk to life and dignity.

Results from a survey of food bank users tell us that food bank clients on average spend 53% of their monthly income on rent and 20% on food. As prices in these two categories soar, there will be no room to manoeuvre, particularly when the total monthly income is less than \$1,000. When it's less than \$1,000, you can imagine that every percentage point counts.

Welfare incomes in Canada, which include social assistance and income-tested tax credits, are inadequate and stagnating. In fact, the real value of social assistance and disability benefits has been falling steadily in some jurisdictions, like Ontario. While benefit rates increased slightly in 2020 as a result of pandemic-related benefits, these benefits were not extended into 2021, so it is likely that social assistance recipients will have had a decrease in their welfare incomes in 2021 and also as we go into 2022.

To be clear, though, the additional benefits that were available to people on social assistance were minimal. People receiving social assistance were still living well below the poverty line, in what is called "deep poverty".

When we combine this reality with the current and projected inflation, without additional support the level of poverty people will experience will only deepen going forward.

As is common knowledge, and as you are hearing from across this panel and from others you have been listening to, we are in the midst of a housing crisis. For whom this is a crisis and at what cost depends on who you are and what your income is. The rising cost of rent is leading to significant housing insecurity. I would like to focus on the very affordable end of the housing spectrum, where we indeed have the most serious crisis.

According to analyses by Steve Pomeroy, between 2011 and 2016 the number of private rental units that were affordable to households earning less than \$30,000 per year—that is, rents below \$750—declined by 322,600 units, and this trend is continuing. At the same time, investment in the affordable housing program, together with unilateral provincial initiatives, mainly in B.C. and Quebec, have added fewer than 20,000 new affordable units.

The math is this: For every new affordable unit created, 15 existing private affordable units were lost. This is in the very deeply affordable category. For the record, when the average social assistance across Ontario is \$1,000, \$750 doesn't leave a lot of wiggle room.

The policy and program tools currently in use render our efforts to develop affordable housing moot. We're losing more affordable housing units than we're creating.

Deep affordability in the market requires government intervention. There is not a market-only solution for this. Enabling the development of affordable supply through programs like the co-investment fund is necessary, so that social housing providers and developers are able to leverage this opportunity. It must be adjusted to include greater grant support as part of that package, as well as rates, timing and access that make it doable.

People living in deep poverty are not contributing to what's driving inflation, but they will bear the brunt of it in the most personal and life-threatening ways.

As such, the Government of Canada must not use inflation as an excuse to forgo the government's duty to make income transfers to people living in deep poverty. In fact, the government needs to do the opposite. There remains a duty on the part of government to protect their right to life and to an adequate standard of living.

● (1140)

With respect to housing, this government has already expressed its intention to increase spending on that as part of its national housing strategy. This is essential. Within this investment, it will be imperative that deeply affordable housing and the human right to housing are prioritized. The lack of focus on developing deeply affordable supply has been acute and severely damaging.

Thank you for your time this morning. I'm happy to answer questions that the committee may have on the impact of inflation on people living in poverty and the opportunity for governments to address this.

The Chair: Thank you, Ms. McIsaac, and to all witnesses for their opening remarks.

We are moving now to our first round of questions from members. In this round each party will have up to six minutes to ask questions of our witnesses.

We're starting with the Conservatives, and we have MP Stewart up for six minutes.

Mr. Jake Stewart (Miramichi—Grand Lake, CPC): Thank you, Mr. Chair.

I'd like to thank all of our guests for being here today, with a special note to Ms. Lunney from New Brunswick, my home province. It's nice to have you here today as well.

My questions this morning will be for Mr. MacBeth.

Mr. MacBeth, do you think that Canada's housing market is currently in a healthy state, and why or why not?

Mr. Hilliard MacBeth: Well, obviously, it's not healthy when people can't afford to buy a house except with the help of parents, grandparents and co-signing of mortgages. We can just look at the burden of debt that Canadians are taking on, especially at the household level. It's probably the top three in the world in terms of a percentage of GDP.

That debt is going to buy house prices that are in a bubble, and it's going to be a very dangerous situation for Canadians if those house prices come down. The banks also will obviously be involved, and the government eventually will get involved as well.

Mr. Jake Stewart: Thank you, Mr. MacBeth. It's a pleasure to have your insight into this matter.

I have seen it in my constituency, and we have all heard the horror stories of the 30-year-old Canadians living in their parents' basements, who can't afford a home, because the typical home cost is now up to \$868,000, just as an example.

Going back to this market itself, can you tell the committee what stage of Hyman Minsky's five stages of the bubble we are in now in Canada?

Mr. Hilliard MacBeth: Minsky was an unorthodox economist who didn't get much play, but when the global financial crisis hit, of course, people started calling what happened a "Minsky moment". A "Minsky moment" happens when lenders discover that borrowers cannot repay their loans. In fact, they cannot even pay the interest on their loans.

Up until that point, the lenders are happy to continue to provide credit, in this case to the real estate market, but at some point they discover that many of their borrowers are about to default, and that brings on the crisis.

The stage that you are referring to is actually called the "Ponzi finance" stage, and it refers to when the lenders have to lend money, not just more money for purchases, but new money just so the borrowers can make the payments on their existing loans.

Mr. Jake Stewart: Thank you, Mr. MacBeth.

Can you explain what you expect will happen to the Canadian housing market and how this will impact our general economy?

Mr. Hilliard MacBeth: Well, as I mentioned, obviously, I was early in bringing this to people's attention with the first edition of my book. My thesis is that the housing market has to correct back to the trend line.

Research done by Jeremy Grantham shows that all bubbles burst, and all bubbles correct back to the trend line, or lower.

The trend line in Canadian housing would be a pretty severe correction in the 50% range. When I say that, people gasp, obviously, but the correction in the U.S. in 2008-09 was 38%, and their bubble was much smaller than the Canadian bubble. It took four years. The peak in prices in the U.S. was in 2006, and the prices bottomed in 2010.

By the way, they have now recovered back to the original 2006 prices in the U.S., but that took, obviously, 12 years to accomplish.

That would be the model, the template, but I would also mention that the Canadian housing bubble is much more exaggerated than the U.S. bubble was in 2006.

● (1145)

Mr. Jake Stewart: Thank you, Mr. MacBeth.

I've always enjoyed history. I'm still a student of it each day, if I can be. One thing that is certain is that history often repeats itself.

Knowing that this isn't the first time in Canada that we have been in this situation, can you tell the committee about the similarities to and differences from the 1980s and 1990s housing crash, and what we can do to mitigate our damages as a country? Do you have any advice for the government?

Mr. Hilliard MacBeth: The most comparable period... We talked about it. We're here to talk about inflation, and the most comparable period for inflation would be in the late seventies, which happens to be when I started working. In my first job, I didn't have my licence to sell stocks as a stockbroker, so all I could do was Canada savings bonds. In 1978, they were at 9.5%, and three years later, they topped out at around 19.5%. Volcker was appointed in August 1979, when inflation was at 11%, and he eventually raised rates to 20%.

I'm not saying that those numbers are going to be reached, but with inflation in Canada at 5% or 6% and inflation in the U.S. approaching 8%... As I mentioned in my presentation, the rise in mortgage interest rates is going to push the inflation rate higher. We are in a comparable situation when it comes to that, with inflation and interest rates.

However, the difference today is that there is a tremendously large amount of debt that's been taken on by housing, and that was not the case in 1980. With interest rates at 11% eventually going up to 20%, the amount of money that the average person could borrow was tiny compared to the amount that people can borrow today.

The Chair: Mr. Stewart, that's the time.

Mr. Jake Stewart: Okay. Thank you, Mr. MacBeth.

The Chair: Thank you.

We are moving to the Liberals and MP Baker for six minutes.

Mr. Yvan Baker (Etobicoke Centre, Lib.): Thanks very much, Chair, and thank you to all of our witnesses for being here today.

[*Translation*]

First, I'd like to address Mr. Telles from Force Jeunesse.

Mr. Telles, in your presentation, you spoke of the challenges that young people are facing. You touched on a number of things.

I have a question for you about access to property ownership. You said that many young people can't afford to buy a house, and I agree with you on that.

In your opinion, should the government take steps to ensure that young people can afford to buy their first home?

Mr. Simon Telles: Thanks so much for your question.

We absolutely believe that the government should provide additional assistance to young people so that they can purchase their first home. While we are on the topic, if I may I will provide a little more detail than I did in my presentation. We're seeing that current programs to foster access to property ownership are not necessarily adapted to young people's reality. I will give you a very basic example. Through the home buyers' plan (HBP), people can withdraw from their RRSPs to finance the purchase of their first home. The problem is that most young people have not yet accumulated anything in their RRSPs. So in theory, this measure fosters access to property ownership, but in practice on the ground, very few young people have access to it.

In its strategy, the federal government should be more mindful of young people's reality so it can find ways to make funds available and develop construction projects to enable young people to be-

come homeowners. All kinds of existing initiatives cap or control the price of buildings, that is, newly constructed buildings are protected from rising market costs. That would give young people access to property without falling into the speculation trap. We believe it would be worthwhile for the federal government to finance a number of projects of this kind to assist young people.

● (1150)

Mr. Yvan Baker: Do you have any other project ideas or suggestions to make in this area?

Mr. Simon Telles: With respect to access to property ownership, of course, we're talking about financial measures. All kinds of general measures could be beneficial to everyone, including young people. One of them would be to control foreign speculation on real estate. Vacancy rates can be a concern too. Having said that, the best way to solve the issue is to give special assistance to young people, who are facing an unprecedented challenge.

We mustn't forget housing assistance either. Sometimes home ownership can be seen as a luxury. However, many young people are even struggling to find housing because of the price of rent, so they can't even consider owning a home. The federal government needs to be sensitive to the housing access issue as well and provide targeted assistance.

Mr. Yvan Baker: Thank you very much.

[*English*]

I'd like to continue now to ask a question of Ms. Keesmaat. One of the things I heard you speak about in your presentation was the share of homebuyers that is represented by investors. Forgive me if I noted this down incorrectly. I think you said 20% of home purchases are made by investors.

Did I record that correctly?

Ms. Jennifer Keesmaat: You did record that correctly. That's actually an estimate of the number across the country. It's estimated to be significantly higher in large cities like Vancouver and Toronto.

Mr. Yvan Baker: Do you have recommendations as to what various levels of government could do to address that aspect of the problem?

Ms. Jennifer Keesmaat: One of the biggest issues that we face today, of course, is that you can make a tremendous amount of money in the housing market. Anyone with eyes to see knows this. There was, in fact, a *60 Minutes* piece on a Toronto-based company that is buying up single-family homes in America and now owns over 30,000 single-family homes, precisely because they are an asset class. They're a significant way to generate profit.

We need mechanisms in place that turn housing back into homes. The suggestion that I have put on the table is that for investors who own homes, we tax the revenue they generate as income, which we do not do today. Take, for example, a rental company that owns an entire rental building. The revenue it generates is taxed as income, but an investor who may own an entire floor in a condo building is taxed 50% less in our current taxation system.

We have an opportunity to put a fairer taxation system in place that will also act as a disincentive to investors buying up floors. That's literally what happens. They're even marketed that way in Toronto and Vancouver. They buy up an entire floor of homes in a condo building and turn them into investment units. There's a real opportunity to take the taxation tools we have today and create some fairness, but also turn down the heat on treating housing as an asset.

The second piece is with respect to incentivizing affordable housing and incentivizing the building of affordable housing by taking away the HST on affordable housing. At Markee Developments, we currently have over 2,000 homes under development in Toronto, and we try to put together projects in which we can either create a cross-subsidization or, in partnership with the landowner, maximize the amount of affordable housing. We've found that HST is often the difference between being able to make a unit affordable and needing to make a market unit viable.

Those are two ways.

Mr. Yvan Baker: Thank you. My time is up.

The Chair: Thank you, Mr. Baker. Yes, that is your time.

We are moving to the Bloc, with Mr. Ste-Marie, for six minutes, please.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Mr. Chair.

First, I'd like to say hello to all the witnesses. We've had some fascinating discussions and presentations today. Thank you all for being here.

My questions will be for Mr. Telles from Force Jeunesse.

Mr. Telles, thank you for your presentation and for being here.

I was troubled by the statistics you presented. In particular, you said that the average wage among 15- to 24-year-olds has declined in the past year, while we're facing historically high levels of inflation. So it makes sense that purchasing power is declining, particularly among young people.

Is that correct?

• (1155)

Mr. Simon Telles: That's exactly right.

We got the numbers from Statistics Canada. What you need to know is that the annual figures for 2021 were not yet available, so we took the average for each month to come up with an annual average. The actual final numbers may vary somewhat. We do, however, have one unequivocal observation: Young people's purchasing power has significantly declined, more than other Canadians. The decline in Canadians' purchasing power is already a concern, but

young people's purchasing power has almost been cut in half. What worries us is that young people are in a more precarious situation. We absolutely must find solutions targeting young people, a more vulnerable group.

Mr. Gabriel Ste-Marie: Therefore, inflation has had an impact on everyone, but it affects young people more, and the government needs to take that into account when developing policy.

We've talked at length about housing and home ownership. Of course, when you already own a property and prices go up, you can sell your property to buy another one. You can do that when you're already in the system. Young people who are starting from scratch, however, are faced with astronomical prices. In your response to Mr. Baker, you recommended some potential solutions to this.

People understand that home ownership is about supply, including the supply of social housing, which drives down overall prices. For first-time buyers, however, they do have a tax credit, but they may not have the cash flow.

Can you tell us about that?

Mr. Simon Telles: Yes, absolutely. It's interesting, sir, because you just gave another example of a measure that's available, but in reality it's not very effective and it doesn't work on the ground. People often get tax credits for buying their first property, but they only get them once they file their tax return. That's often several months or even a year after they purchase the property. They need the funds when they are purchasing the property. Young people are having a hard time saving up money for their down payment. The government needs to find solutions to help young people become homeowners, rather than giving them grants or tax credits after the fact.

Mr. Gabriel Ste-Marie: Therefore, having cash flow as a first-time buyer of property is a very fundamental issue. I hope your suggestion is heard.

I'd like to talk about employment insurance for a few minutes. The mandate letter that the Prime Minister sent to his minister includes a commitment to reform employment insurance by June. We'll see if it gets done. Here too, the statistics are troubling. It feels like we have full employment and all that, but you reminded us that, according to the statistics, the unemployment rate among 15- to 24-year-olds is twice as high as in the general population. The statistics also tell us that of the young people who are employed, half are working part-time and over 60% have non-standard jobs.

Please explain to us how it is that someone who has a part-time or non-standard job isn't eligible for insurance they should be entitled to if they lose their job. Could you also refresh our memory and tell us what a non-standard job is?

Mr. Simon Telles: Yes, since the beginning of the pandemic, we've seen young people working in more vulnerable sectors, including the restaurant industry, which shut down across Canada during the pandemic. Many youth are also working in the tourism sector or in seasonal jobs. These sectors are always likely to shut down when we go through a crisis like this. Therefore, more young people lost their jobs.

The reason young people don't qualify for employment insurance is that you need to have worked a certain number of hours in the past 12 months to be eligible for EI benefits. As you can imagine, young people who are going to school, are working part-time or have seasonal employment often have more trouble accumulating those hours of insurable employment and aren't eligible for benefits.

We believe that the government should find a way to recognize the status of these young people who have more trouble accumulating insurable hours and make them eligible for benefits. By resolving this issue disproportionately affecting young people, we can keep them from being challenged. We hope the government will quickly address this issue as part of EI reform.

Mr. Gabriel Ste-Marie: To sum up your way of thinking, let's take the example of a young person who works in the tourism or restaurant industry and wants to continue working when the business they were working for shuts down. Based on the current EI criteria, they aren't eligible for this stabilizer while they look for a new job, whereas the spirit of employment insurance says they should be eligible. The government needs to consider that and introduce a real insurance program, not one that addresses the labour market as it was some fifty years ago.

You also mentioned the—

• (1200)

[*English*]

The Chair: Thank you, Mr. Ste-Marie. That is your time.

[*Translation*]

Mr. Gabriel Ste-Marie: I have plenty more questions to ask. I'll wait for my next turn.

Thank you.

The Chair: Thank you.

[*English*]

We're moving to the NDP and Mr. Blaikie for six minutes.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much.

I wanted to start with Ms. Lunney. Correct me if I'm wrong, but I believe you mentioned real estate investment trusts in your opening statement. I was wondering if you have some recommendations for the committee in terms of concrete policy suggestions that we might consider.

Ms. Sarah Lunney: At ACORN, we have been advocating for the income tax loophole to be closed for real estate investment trusts, so that they're taxed appropriately. That's what I mentioned today within my first five minutes of discussion, and that's what we're still hoping for.

We're hoping to see that income tax loophole closed so that it disincentivizes—as Ms. Keesmaat has been saying—that type of investment in housing and the financialization of it. It's a tactic that REITs are able to mobilize by renovating and evicting tenants out of their buildings, which is contributing to the housing crisis and the lack of affordability.

Mr. Daniel Blaikie: Just for members of the committee, would you mind explaining how that loophole works or what particularly we might look at changing in order to close it?

Ms. Sarah Lunney: Yes, sure.

Unlike other income trusts in Canada, REITs enjoy preferential tax treatment provided by the Income Tax Act that exempts them from paying any tax at the corporate level or at the entity level. Recognizing a loss in tax money due to the way that income trusts were taxed at the time, in 2006 the Minister of Finance announced specified investment flow-through trusts—SIFTs—and rules introducing those at the entity tax level on publicly traded income trusts and partnerships.

However, when these rules were introduced, they provided an exemption for REITs by mentioning that a specified investment flow-through trust—a SIFT—is one, other than real estate investment trusts for a tax year, that can be included. That's basically how real estate investment trusts are able to get around the tax loophole.

If you have any other questions and want more detail, ACORN is happy to provide the research we have done on REITs with the Canadians for Tax Fairness. We can submit that to you.

Mr. Daniel Blaikie: Right on. Thank you very much.

Ms. Keesmaat, on a similar topic, I wonder if you could elaborate for the committee on your proposal around capital gains. Is it the idea that the capital gains inclusion rate would be 100% for all properties, or would it exclude the lifetime exclusion on capital gains for principal residences?

Could you give us a little more detail on your proposal around changing the capital gains inclusion rate?

Ms. Jennifer Keesmaat: The intent of the policy recommendation is not to solve everything, but to solve this problem that has emerged, which is an investor class that is not currently disincentivized through taxation. I would recommend excluding principal residences for that reason, because they are our homes, as opposed to homes that have been acquired for the purposes of generating revenue.

The specifics of how that taxation takes place is not something that I've gone into detail.... What I wanted to highlight is that, currently, there is a tax incentive to be an owner of investor units and housing that could be mitigated through creating more tax fairness. That tax fairness would involve taxing the capital gains on investor units.

Mr. Daniel Blaikie: Thank you very much.

Mr. MacBeth, I wanted to circle back to you as well. You talked about how housing prices aren't included in the CPI.

It seems to me we're in a curious situation in which the CPI doesn't provide much of an early warning system for problems in housing affordability. As house prices come down, we might actually see an increase in inflation, according to the CPI, as the monthly cost of maintaining a home goes up with higher interest rates.

Is that a possible outcome, or have I misunderstood your testimony?

• (1205)

Mr. Hilliard MacBeth: I didn't mention the decline in house prices as much as the interest rate on mortgages. The mortgage interest is the biggest component of the monthly payment for most people, depending on the amount of down payment they have, but let's assume it's a first-time buyer with the minimum down payment.

Interest rates are already rising, by the way. Interest rates have gone up a lot. As we're speaking here today, I was looking at the markets and there's quite a change. That's going to feature into the CPI and that's going to push the shelter component measurement of CPI—which is the largest in the CPI, at 31%—higher. For a long time it's been too low, because the mortgage rates were low and going lower. They got under 2%. I've heard people bragging that they got a mortgage at one and a half per cent. It's unbelievable. That made inflation look small. At the same time, house prices were rising, but they didn't get reflected in the CPI.

Now, in a perverse way, the Bank of Canada's going to be raising rates in order to get inflation under control. The act of raising rates is actually going to have the effect of increasing CPI. It's going to look—initially, anyway—like they're not succeeding in getting inflation under control by raising rates, because it's going to push the actual number higher.

A lot of countries in the world use this method for CPI measurement and housing costs. There are some advantages, but there are, in certain circumstances, some big disadvantages to using the monthly payment system. We're going to see the worst of it here in the next little while.

The Chair: Thank you, Mr. Blaikie. That is the end of our first round.

We're moving into our second round, members. We're starting with the Conservatives, with Mr. Albas, for five minutes.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Thank you, Mr. Chair, and thank you, all of the witnesses, for coming to committee today.

I'm going to focus on the Canadian Real Estate Association. Mr. Bourque, have you ever witnessed a real estate market in a situation like we see today?

Mr. Michael Bourque: We haven't, but Shaun could probably tell you what those numbers look like. On the supply side, we've not seen such a poor supply response, considering demographic change and population growth. He can quantify that for you.

Mr. Dan Albas: That's fine, Mr. Bourque. I'll continue.

How do you think the real estate market will evolve in the short term if no additional measures are introduced by government?

Mr. Michael Bourque: Well, as I said, I think we're going to continue to see housing inflation unless we do something very different from what we've been doing. You've heard from people today representing interests and Canadians across the housing spectrum. We all have the same concern, which is that there are not enough housing units for people at the entry level, where there is the most dire need. There's a lack of housing.

In typical market housing, we don't have enough supply to satisfy demand. The reason is very simple. It is that the new supply has been choked off at the municipal level across the country with independent decision-makers, because of Nimbyism and a belief that more taxes need to be raised in order to build. They've constrained the market to the point that it has created a national crisis in housing.

Mr. Dan Albas: Mr. Bourque, I'd like to focus on the federal side right now. In previous elections, Conservatives have put forward the idea of making 15% of federally owned properties available for the development of market and social housing.

Do you believe that would be helpful to increase the supply of land, particularly in many of the markets where the federal government has a huge footprint?

Mr. Michael Bourque: There's no doubt. I think there's been a great deal of inertia with independent departments and agencies owning property but not seeing the housing crisis as their problem. They are reluctant to let go of their surplus land, even if they're not using it. Often that land—the waterfront in Toronto, for example—has been sitting there empty or underused for a very long time.

That would undoubtedly help.

• (1210)

Mr. Dan Albas: You're supportive of that, then. That's great.

We've also run in previous elections on the need to make housing clauses in infrastructure bilateral agreements, so that there would be a density requirement. Are you in favour of that?

Mr. Michael Bourque: I'm a very strong supporter of that initiative. If the federal government, for example, is helping a city build a transit system, it's in its interest to ensure that there are people to use the transit system. There should be conditions around stations, and all throughout where that transit system runs, that zoning is changed to increase density.

If you look at Toronto, for example, there are transit systems running through what they call “yellow” zones, which is low-density housing, right through the city. There have been no conditions attached to any of that infrastructure spending, at least until lately, perhaps.

Mr. Dan Albas: In talking about things that will work—for instance, tying infrastructure to density and making more federal lands available—will the mandatory energy rating at time of sale make housing more affordable, in your opinion?

Mr. Michael Bourque: No. I think that's a terrible idea. There's no doubt that people should be investing in their homes to make them more energy-efficient. The problem is that the program that currently exists is very difficult to use. That's why the government has underspent the money that's there. It's too difficult. There aren't enough energy auditors. If you can't get an energy auditor, you can't bring yourself through the process.

I don't understand why they wouldn't just allow a certain amount of spending to be tax-deductible. For example, if I go and buy energy-efficient products like insulation, what else am I using it for? I should be able to just deduct that. It would be a lot more efficient to get that work done. If a great number of homes were made energy-efficient, then you could start the process of having an EnerGuide-type system. Right now we're so far from that. To start to introduce that before the entry-level program has been properly constructed doesn't make any sense.

The Chair: We're moving to the Liberals.

Ms. Dzerowicz, you have five minutes.

Ms. Julie Dzerowicz (Davenport, Lib.): I want to say a huge thanks to all of our excellent witnesses today. I wish I had time to ask everyone questions, but I have time to ask only two.

Before I do so, I want to give a huge thanks to you, Ms. Lunney. You did an excellent job of articulating what you think the problems are. Thank you for that. I also want to directly ask you if you could give us your submission around the taxes that Mr. Blaikie was asking about before. I'm talking about the research you did with Canadians for Tax Fairness. If you could submit that, it would be very helpful.

I also want to say a special thanks to Ms. McIsaac. I used to work at Maytree, so Maytree always has a special place in my heart.

My first question is for you, Mr. Bourque. You had three recommendations. The first was related to federal-provincial-municipal co-operation. The very first recommendation started off with “faster permitting”.

Could you quickly repeat that recommendation, please? I just want to ask a question about it.

Mr. Michael Bourque: What I said was that we need federal, provincial and municipal collaboration, including conditions attached to infrastructure spending, to encourage more housing. That could be through faster permitting, more open zoning or reduced fees, basically getting rid of these impediments to new construction, which have been well studied and which add considerable cost and time to new construction.

Ms. Julie Dzerowicz: Thank you. It is an excellent recommendation. I will tell you that it's something that has come across very clearly from the Federation of Canadian Municipalities and many other organizations.

I'm going to pivot quickly over to Ms. Keesmaat.

Ms. Keesmaat, in a former life, you were a city planner and also ran for mayor of the city. Can you help finesse this recommendation? How is it that the federal government can get this recommendation right? We want to provide some conditional funding. We want faster permitting. We want open zoning and reduced fees. What's the recommendation you would make that would help us get to what we want to do, specifically as it relates to this recommendation?

• (1215)

Ms. Jennifer Keesmaat: I'll build on the comments that were made by Michael earlier. I think he hit on some critical and salient points around the role that the federal government can play in relation to municipalities, including when infrastructure funding comes forward and tying that infrastructure funding to density requirements, which does not happen today.

We have billions of dollars being spent on transit infrastructure in areas where the local residents, very local, are opposing additional density. They're opposing the building of new housing. The federal government can play a very powerful role in linking those two things together. You want funding for major infrastructure projects, but you also need to be willing to upzone areas and absorb additional density in relation to that infrastructure that is being built.

There's another critical piece to this. The comment was made by one of my colleagues, as well, about using federal, provincial and municipal lands. We've been engaged in work with CMHC on looking at the 600 school sites in the city of Toronto. Just think about that nationally. There are 600 school sites in Toronto where the vast majority of land is underutilized, in part because the schools do not have enough density, so 50% of the buildings are sitting vacant.

We have been looking at how, through missing middle housing, mid-rise intensification, we can turn those schools into new communities that will add a population of students to use the existing buildings but will also add new housing on land that is owned by the government. What we found on the Elmbank school site, for example, which I referenced in my deputation, was that the tipping point between being able to make 25% of that development into affordable housing is the \$18 million we would be required to spend in HST.

Now, ironically, if the government were to forgive the HST on the 25% affordable component, the government would still be delivered the HST on the other 75% of the housing units. There are approximately 838 housing units we're proposing in that development, but, as I mentioned, it's not yet buyable because of the \$18 million required in HST.

That demonstrates that there's a lever that's pretty easy for the federal government to pull in order to incentivize some of these sites that are a bit trickier to deliver from a market viability perspective.

Ms. Julie Dzerowicz: Thank you so much.

Mr. Bourque, I've run out of time, but your third recommendation was around innovation and modern technologies to speed up the process. I'd be grateful if you could submit that to the committee to elaborate more specifically on what you mean by that, so we can incorporate that into our recommendations.

Thank you.

The Chair: Thank you, Ms. Dzerowicz.

We'll move to the Bloc and Mr. Ste-Marie for two and a half minutes, please.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Mr. Telles, you have reminded us that inflation is harder on young people, who are experiencing financial insecurity. During your presentation, you raised a concern about orphan clauses. Federally regulated businesses cannot adopt a new pay scale and decide that new hires will be paid less. However, a loophole for working conditions still exists, particularly with respect to pension funds, and it should be closed.

Please tell us about that for the next two minutes.

Mr. Simon Telles: It will be my pleasure.

Fortunately, when it comes to salary, Canadian law does not allow discrimination against a person based on their date of hire. This is a legislative change that was made in 2018 in the Canada Labour Code.

However, it is still possible to grant less advantageous ancillary working conditions to some workers, simply because of their date of hire. We are therefore concerned that the current economic context will encourage the emergence of orphan clauses and that when young people enter the labour market, they will be offered less advantageous conditions than other colleagues doing exactly the same work. We fear that this is a kind of solution that employers will use to cope with the difficult economic situation.

We know that it is possible to legislate to address this issue. A good example is what was done in Quebec, where a bill was introduced and passed to prohibit orphan clauses that affect ancillary working conditions. It is therefore no longer possible to create these new clauses. We believe that the federal government should follow Quebec's lead in this regard. It has already done so for salaries, but there are still certain conditions that could be less attractive for young people, for example, pension plans, to which you alluded.

It is important to protect ourselves and to work upstream. We often talk about finding solutions, but the government must also act upstream, sometimes, to prevent this type of situation. Since the current economic context favours the use of such clauses, we must act upstream and close the gap.

• (1220)

Mr. Gabriel Ste-Marie: That is very clear. Thank you for that.

You also pointed out, with regard to students, that it was important not to forget to index the grants. Could you say a few words about that?

Mr. Simon Telles: It's really primordial. The way the grants work, some student expenses are allowed. We know that these expenses have increased, particularly in terms of food, transport and accommodation. Therefore, it is important that the Canadian scholarships granted to students take into account the increase in the cost of living and that the exceptional assistance granted in the context of the pandemic be renewed until further notice or, at the very least, as long as inflation remains this high.

Mr. Gabriel Ste-Marie: Thank you very much.

[*English*]

The Chair: Thank you, Mr. Ste-Marie. We'll now move to the NDP.

MP Blaikie, you have two and a half minutes, please.

Mr. Daniel Blaikie: I want to take a moment to zero in on the question of social housing, sometimes called deeply affordable housing, deep affordable housing, or, more explicitly, just rent geared to income, where rents are actually calculated as a function of the income of the tenants, usually in the range of 25%-30% of their income.

If the witnesses will indulge me, I want to go through the witness list and ask if they think, with a yes or no, there's any possible or meaningful market solution to the question of rent-geared-to-income housing, or whether they think it's an area that requires active government intervention.

Mr. MacBeth, I'll begin with you. Do you think there's a market for building rent-geared-to-income housing in Canada?

Mr. Hilliard MacBeth: I do, for sure, and it requires government intervention. Absolutely.

Mr. Daniel Blaikie: Ms. Lunney.

Ms. Sarah Lunney: I don't know if I entirely understand the question. Do you mean the private market should be building affordable housing?

Mr. Daniel Blaikie: I am asking, do you think there's a business case for the private market to build rent-geared-to-income housing, and is it a sector that requires active government investment?

Ms. Sarah Lunney: Yes, it's definitely a sector that requires active government investment. It's currently just not working.

Mr. Daniel Blaikie: I appreciate that.

Mr. Bourque.

Mr. Michael Bourque: For example, if land were made available by government, the private sector has already shown that it could do that. It's a bit like our approach to climate change, when we say, "Do we need nuclear, solar, and wind?" The fact is we need all of them. I think anything that we can bring, we should.

Mr. Daniel Blaikie: I'll be happy to maybe come back to you in a moment for examples of rent-geared-to-income housing delivered through the private sector.

[Translation]

Mr. Telles, do you think this is an area of public intervention or that there is a market for social housing construction?

Mr. Simon Telles: I agree with the other speakers that there has to be both a private sector and a government solution. We believe that the government could create incentives for entrepreneurs to build more social housing. For example, it could be established as a condition that certain projects must include a certain percentage of social housing, or simply put in place financial measures that would help contractors build affordable housing.

[English]

Mr. Daniel Blaikie: Ms. Keesmaat, with respect to rent-geared-to-income housing, is this something that you think requires public investment, or is there a market solution?

The Chair: Please give a very quick answer.

Ms. Elizabeth McIsaac: I'm sorry. It was crackly. Was that for me?

Mr. Daniel Blaikie: I'd be happy to have both you and Ms. Keesmaat answer in the time we have remaining with a simple yes or no.

Ms. Elizabeth McIsaac: Government is required, but there are opportunities for it to be what we have already in place, like privately owned rooming houses. RGI, by definition, is a subsidy provided by government, so there has to be involvement.

We also need to be mindful of protecting what is already in private hands, some of which is being gentrified. I think the proposal for an acquisition fund that has been tabled is one solution.

Mr. Daniel Blaikie: Thank you very much.

The Chair: Ms. Keesmaat, please give just a yes or no on that.

Ms. Jennifer Keesmaat: Government is absolutely required. The market has created this problem.

The Chair: Thank you.

I think that's all for Mr. Blaikie.

We're moving now to the Conservatives and Mr. Chambers, for five minutes.

• (1225)

Mr. Adam Chambers (Simcoe North, CPC): Thank you very much, Mr. Chair.

Welcome to our witnesses. It's been a fantastic discussion. We often wish we had more time with all of you, to explore. I have a few questions.

I'll start with Mr. MacBeth. When was the last large market housing correction in Canada?

Mr. Hilliard MacBeth: The last time the housing market corrected substantially in Canada was in the early 1990s. Interest rates went up to 13% and there was an overall correction. I don't know the exact percentage, but I think it was in the 20% to 30% range.

One of the notable, iconic events was the collapse of the large conglomerate, Olympia and York. It had an enormous amount of debt.

Mr. Adam Chambers: How long did it take for the market to recover from that correction? Was it five years or 10 years? When did prices get back to where they had been?

Mr. Hilliard MacBeth: I think the prices in 1999 were similar to the prices in 1990. It was a long period of lower to flat prices. This new bubble started to form shortly after 2000.

Mr. Adam Chambers: We've had more than two decades of price appreciation. In fact, we've had some very significant price appreciation during a couple of periods of time within these two decades, without any real meaningful or large-scale correction for a longer period of time.

Is that right?

Mr. Hilliard MacBeth: That's right.

Both Canada and Australia escaped the corrections that happened in 2008-09. Those two countries have the most extended housing bubbles and house prices at this time. It was considered lucky at the time, but I would say maybe it was unlucky that we didn't have a healthy correction in 2008-09.

Mr. Adam Chambers: Have you ever seen debt-to-income ratios as high as they are in Canada?

Mr. Hilliard MacBeth: The simple answer is no.

The measure I prefer is debt to GDP. A few developed countries in the world are in the same category as Canada, but Canada is right at the very top of the list in terms of private sector debt.

I'm sure most of the discussion about debt in this committee and elsewhere has been about government debt, but government debt is not nearly as dangerous as private sector debt. Private sector participants go bankrupt or get foreclosed, whereas governments somehow manage to carry on, even if they're overly indebted.

Mr. Adam Chambers: Thank you very much. I'll turn to the Canadian Real Estate Association briefly.

What's happened to development charges? Have you tracked development charges across the country or in particular markets over the last 10 or 20 years?

Mr. Michael Bourque: We don't follow them that closely. That would be more the home builders who would do that.

Mr. Adam Chambers: Okay.

Do you know how much the land transfer tax is in Toronto today for a million-dollar home? [English]

Mr. Michael Bourque: Again, we don't really track those metrics, except that we know they haven't gone down.

Ms. Keesmaat would be able to answer that better than I can.

Mr. Adam Chambers: Ms. Keesmaat, what's the land transfer tax in Toronto?

Ms. Jennifer Keesmaat: I don't actually know that off the top of my head, but I can speak to the development charges. Land transfer tax is similar.

Because municipal governments have been reticent to raise property taxes, they've been increasing the development charges to create a user-pay model. That means the development charges on a unit can be upwards of \$20,000 to \$40,000, depending on the scale and size of the unit. It has pretty much doubled over the course of the past 10 years.

Mr. Adam Chambers: Thank you very much.

Land transfer tax in Toronto is about \$33,000 on a \$1,000,000 property. That's double everywhere else in Ontario. Property taxes in Toronto are much lower, by any measure you look at, than in municipalities other than Toronto. The city is actually subsidizing low property tax rates with an astronomical land transfer tax. That hurts first-time purchasers. They have first-time buyer incentives, but it still brings it down only to about \$25,000.

Ms. McIsaac, I want to give you an opportunity here, in a very quick period of time. Where do these people who are housing-insecure go if they are pushed out of a home?

• (1230)

The Chair: Ms. McIsaac, please.

Thank you.

Ms. Elizabeth McIsaac: When people are pushed out of their homes, depending on their own circumstances.... There's not one, single answer to that. People go to friends and family. They have their social safety net, which is social capital. Increasingly, we are seeing people who are now making use of shelters. As you get to the lower end, people may try to get something lower in the market, but that is getting harder and harder to find. In a city like Toronto, a one-bedroom is impossible to find under \$1,500.

Mr. Adam Chambers: Thank you very much. I'll just say that in my riding they go to motels, and that's become an issue.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Chambers.

We are moving to the Liberals, and Ms. Chatel, for five minutes, please.

[Translation]

Mrs. Sophie Chatel (Pontiac, Lib.): Thank you very much, Mr. Chair.

My first question will be for Mr. Bourque. We've talked a lot about housing, and increasing the supply, but it seems that this conversation has been focused mainly on urban areas.

What can you tell us about the challenges that many rural communities are experiencing? Especially during the pandemic and post-pandemic period, we are seeing an increase in the number of people going into smaller regions in order to telework. However, even prior to the pandemic, there was already a big increase in the price of housing, and rents, especially, are very low in rural communities.

What can you tell us about the solution for rural communities?

Mr. Michael Bourque: That's a good question.

The fact is that a great many people have moved—migrated—within Canada. Over 350,000 Canadians moved to different provinces last year, which was a significant record. When you think back to the energy price collapse, a lot of people moved out of Alberta. However, that's the only time we've seen as much migration to different provinces. I think it's evidence that people are moving because they want affordable housing, and there was affordable housing available in those communities.

Initially, that may have been seen as a good thing for many communities, because you would have young people returning to their roots. That can add some vibrancy to small communities that may have been lacking population. However, at a certain point, that pressure, and especially the buying power they have, puts pressure on the local community, so that individual renters get priced out of the market and the prices go up overall.

We've seen that across the country. From a policy standpoint, it's a good thing for people to move across the country, to move where there are jobs or where the conditions for living are better, but it also shows that the supply constraints that exist in big cities have also existed in other places where, for whatever reason, it is very difficult to build and the housing supply response is slow to trigger in.

Mrs. Sophie Chatel: Mr. Bourque, on that, do you think there will be new technologies that will facilitate the building of new housing in rural communities? The labour shortage creates an extra layer of difficulties. People, experts or builders, are not travelling to rural communities to do big housing projects. It's very difficult to build in rural areas. With any of the new technologies, is there any hope there?

Mr. Michael Bourque: One of the recommendations we're making is that there really needs to be a lot more innovation. I always like to say that a carpenter could come out of a time machine from the fifties, go right into a housing project, start swinging a hammer and probably not feel out of place.

The fact is that we need to start building a lot more components in factories. We need to upgrade standards so that a factory-built home can go into any community and meet the standard, so that it doesn't slow down the construction. This is something the federal government could be investing in. If we were a lot better at building homes using modern technology, we'd not only help solve our own problem but we'd have an exportable product.

• (1235)

Mrs. Sophie Chatel: Thank you.

I have a question for ACORN Canada. There's a lot of regulation in the rental market, and it's usually provincial jurisdiction, but what do you think the role of the federal government could be in addressing rapid rent increases? I'm also interested in your views on the renovation phenomenon.

Ms. Sarah Lunney: The first half I outlined in my first five minutes. There were precedents set back in the mid-1970s regarding the federal government's role in inciting rent control from the provinces, so you could look to mechanisms that have been used previously to help get a rent control regime across the country.

Moving to the renovation phenomenon, this is something that is actually very near and dear to my province, New Brunswick, where we see tenants en masse being renovicted from buildings. The issue of renovation can be a tactic used by corporations to increase profits, so they're purchasing affordable units and affordable housing, then renovicting tenants to reposition the housing on the market for higher income levels. This is depleting the affordable housing that we have left, and it's been contributing to the housing crisis across the country.

Currently, in most jurisdictions, there's a lack of regulation regarding rent control and renoviction. They go hand in hand—without rent control and vacancy control, it's an easier environment for large investors such as REITs to renovict tenants. They outline within their shareholder reports that they use renovations as a mechanism to increase their profits, therefore they're evicting tenants through those means.

Does that answer your question?

Mrs. Sophie Chatel: Thank you very much, indeed.

The Chair: Thank you, Ms. Chatel.

Members, we will not have enough time to do a full third round. We'll allocate up to four minutes for each party for your last set of questions, because we need five minutes at the end to go over our subcommittee report.

We'll start with the Conservatives, and I have Mr. Fast.

Hon. Ed Fast (Abbotsford, CPC): Thank you very much.

My questions are addressed to Mr. MacBeth. You said that the difference in today's housing bubble is that, unlike in the seventies and eighties, an incredibly high rate of debt has been taken on by homeowners.

Am I reading you correctly? All right.

You also said that the central bank must raise interest rates, even if that creates a recession and bursts the housing bubble, which

would result in a correction of up to 50%, perhaps more. Did I understand you correctly?

Mr. Hilliard MacBeth: Yes.

Hon. Ed Fast: What rate of interest will be required to actually tame inflation and the current housing bubble?

Mr. Hilliard MacBeth: That's a great question. Nobody knows the answer to that question.

I can tell you that in the late seventies, when they brought in a new chair of the fed in the U.S., Paul Volcker started raising rates when they were at 11% and inflation was around 10%. For the next two and a half years, he raised rates until they hit 20%, and then the inflation started to come back down. For various reasons, as I mentioned in my statement and in answers to questions, raising rates does not have the initial effect of bringing inflation down. In fact, it pushes inflation even higher.

Do the central banks—the Bank of Canada, the Federal Reserve, the Bank of England and the European Central Bank—have the backbone to continue raising rates when house prices start falling, stock market prices start falling and inflation keeps going higher? We're going to find out, I think, and I don't know if they do.

• (1240)

Hon. Ed Fast: Wow. You referred to the backbone that's required in order to use interest rates to tame inflation. I also wanted to ask you what the fallout from all of this is going to be. We have a housing bubble and rising interest rates. If the housing bubble bursts, who pays the price here?

Mr. Hilliard MacBeth: You know, it's interesting. Barack Obama, in 2007 or 2008, tried to bring in a program to help people who were losing their homes when the bubble burst in the U.S. The homeowners who didn't have a massive amount of debt freaked out and said, "I'm not going to pay for somebody else's problem because they took on too much debt and bought a house they can't afford." It was a classic interview on CNBC with one of the regular contributors there. He concluded his rant by saying, "What we need is a new tea party," referring to the Boston Tea Party in 1776.

That led to the formation of the Tea Party political movement in the United States. It was based on the idea that somehow we would help people who were facing foreclosure on their homes.

Hon. Ed Fast: I'm not sure we're looking to establish a tea party here in Canada.

Let me ask you one final question. I think I'm one of the very few around this table, if not the only one, who remember both the 1970s and 1980s bubbles and the economic crisis of 2009. I remember how bad that was.

You mentioned the high rate of debt taken on by borrowers today. Could you just expand on that a little?

The Chair: I think I was there too, Mr. Fast.

Mr. MacBeth, please answer really quickly.

Mr. Hilliard MacBeth: The debt levels are extremely high, but one thing we haven't mentioned yet is that about 22% of all mortgages are variable-rate mortgages. The balance of five-year-term mortgages come due in the next one, two, three or four years. They will all be reset at much higher rates. That is going to be a very interesting challenge for the banking industry and for the people who have those mortgages.

The Chair: Thank you, Mr. Fast.

We're moving to the Liberals and Mr. Baker, for four minutes.

Go ahead, please.

Mr. Yvan Baker: Thanks very much, Chair.

I'd like to come back to Ms. Keesmaat.

We spoke earlier, and you cited in your presentation the role that investors play in the market and in driving prices up. One of the things we've spent a lot of time discussing at this committee is the role that non-resident investors play. I've heard your recommendations, which you've spoken to, but is there anything specific that you would recommend the government do to deal with that aspect of things?

To me it's unconscionable that there are folks who don't contribute to the economy, don't live here and don't need a home to live here but who are really using the housing market as a mechanism to enrich themselves while not contributing to Canadian society. That is something I believe we need to address.

I'm just wondering if you believe that's the case, and if so, what specifically around these non-resident investors we should be doing.

Ms. Jennifer Keesmaat: I'll confirm that I believe that's the case.

I'll also clarify that I'm not a finance expert, although my partner at my development company, Jason Marks, is a finance expert. He has an M.B.A. from Harvard and was also a senior vice-president at TD Bank for many years. He does all of the pro forma and financial analysis on our projects and developments.

What I am is a housing expert. As the chief planner for the City of Toronto, I spent a tremendous amount of time doing something that planners have traditionally done in order to mitigate the high cost of housing, which is calibrate supply and demand. This is looking at population growth and identifying demand, and ensuring that we are delivering sufficient housing to meet the needs of the population.

This work has become futile, and it has become futile for a very simple reason. We're no longer in a situation where building a house is about housing a family. We are in a situation where building a house means you can purchase a home and that home can remain empty for several years. You don't even need to bother renting it. You can then, in turn, sell that house several years later and it will have generated a more significant return than you could have made in any mutual fund or any kind of fund in the government today.

What's happened is that housing has become a financial mechanism or a financial asset. The way to fix that is by treating it as a financial tool, so planning policy—my area of expertise—isn't going to help. I'm deeply passionate about housing Canadians. I'm deeply passionate about ensuring that every Canadian has access to a home that will meet their needs over the course of their lifetime, but that is currently confounded by financial policy.

Financial policy is a critical part of solving the problem. A disincentive to using housing as a financial tool is the only way it's going to be solved. It also needs to be tied to unlocking supply, because we have significant issues around the amount of supply we're generating.

I see these two things as needing to operate hand in glove. We need a disincentive to investors tying up housing as a financial tool and a way to make money. At the same time, we need to generate a significant amount of housing supply, in particular, affordable supply and housing that will stay affordable. These two things need to be linked together in our policy, and that is the purview of the federal government. Unlike other mechanisms, such as development charges, which are the purview of a municipality, these two things are the purview of the federal government.

I put one very specific recommendation on the table, which is increasing the taxation and recognizing the capital gains for investors on their housing, just as we recognize other employment income. Currently, the gains that you make in housing are taxed at only 50% of what would have been taxed if it were employment income.

• (1245)

The Chair: Thank you, Ms. Keesmaat.

That's the time, Mr. Baker.

We are moving to the Bloc and Mr. Ste-Marie for four minutes.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Mr. Telles, in your opening remarks, you mentioned that last year's poor harvests were due to the droughts we experienced, and you made a link between climate change and the current inflation.

Can you remind us why it is important for young people to support the energy transition to a more resilient environment?

Mr. Simon Telles: Thank you, sir, for giving me the opportunity to talk more about this recommendation.

In fact, there are several ways to deal with inflation. It can be dealt with directly, for example, by controlling the policy rate. But there are many other factors that affect the cost of living and the purchasing power of Canadians, and climate change is one of them. In order to find a comprehensive solution to inflation, this issue must also be addressed.

Last year, due to natural disasters, Ottawa had to provide significant additional funds to help the provinces deal with climate change. This assistance is likely to increase over the years as climate change evolves. This also has implications for the consumer price index and the cost of food.

If we want to act in a sustainable way to fight inflation, we must invest more in the fight against climate change. Above all, we must not reduce the investments we make in this area. For us, this is fundamental. This is a problem that is of great concern to young people across the country, and we must do more.

Mr. Gabriel Ste-Marie: Thank you, that is very clear. Indeed, we are currently seeing an increase in costs, but you are telling us that, if we do nothing to stop climate change, the costs will be higher and higher in the future. That is well noted, thank you.

Also, you talked about single people or people without children. Over the last few decades, many programmes have been set up to support families. That's good, but people who are single or without children are often left out of social programs. And there is a lot of poverty on this side.

Could you tell us a bit about this and remind us of your requests in this regard?

Mr. Simon Telles: In fact, this is a request related to the Quebec shelter allowance program. It is highly desirable that assistance be provided for young families. However, we realize that single people who live without children face significant financial barriers, as they have no one to share the cost of rent with. They are left with a very high financial burden for housing.

We propose that extra help be given to single people without children so that they can cope with the increased rent. As they have no one to share the expenses with, an even greater burden sometimes falls on their shoulders. In our opinion, this is a flaw in the system and the government could correct it.

• (1250)

Mr. Gabriel Ste-Marie: Is there any other element you would like to remind the committee of?

Mr. Simon Telles: In fact, I would simply like to mention that inflation does not affect all Canadians equally. So it's important that any assistance strategies that the committee puts forward target particularly vulnerable groups. I mentioned young people, but there are certainly others. To have one-size-fits-all strategies that don't take into account those particularities doesn't help the most disadvantaged people in the country.

Mr. Gabriel Ste-Marie: That's very clear.

I thank you again for your participation.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Ste-Marie.

[*English*]

We're moving to the NDP, and this will be our last MP to ask questions.

Mr. Blaikie, you have the floor for four minutes.

Mr. Daniel Blaikie: Thank you very much.

I want to come back to the question of rent-g geared-to-income housing, and try to situate it in the larger question of the housing spectrum.

I wonder if Ms. McIsaac would like to speak to the impact that serious deficiency in one area of the housing spectrum ends up having for folks in other areas of the housing spectrum.

Sometimes, when we lose rent-g geared-to-income housing, people just drop out of the spectrum altogether, and into homelessness. They might end up in shelters. They might end up in motels, as Mr. Chambers was saying not that long ago. In some cases, they end up cannibalizing their budget for food and medication in order to compete in the affordable market space.

Anyway, I wonder if Ms. McIsaac might speak a bit about the housing spectrum, and how deficiencies in one area, particularly at the lower end, can actually resonate in other parts of the housing spectrum.

Ms. Elizabeth McIsaac: This is what my comments were focused on. This is the most dire part of the system, where people are literally on the edge. As inflation moves up, we can expect people to fall into arrears, and then that becomes a very difficult precipice to be on. You end up at motels that are effectively shelter motels. The one that was referenced in *The Beaches* is, I think, closing down shortly.

It is connected to the whole system. Part of the commentary around what we are doing... The option around an acquisition fund is really critical, because we have parts of the private market that have been serving a very low-income area—things like rooming houses—that are moving into gentrified ownership. There is an opportunity for social housing providers, whether they be co-ops or non-profits, to move into that space. Why that's important for their ownership is that it protects that affordability into perpetuity. When it's privately owned, there isn't that protection, and that's where we are seeing the vulnerability for significant numbers of units that are being lost in the market.

There's an opportunity within the NHS to put something like that in place. It has been called for by a number of different players. We've seen a very small demonstration project of this in the Toronto market, where the City of Toronto put forward a multi-unit resident acquisition fund and tested it out in Parkdale. That's on a very small scale, but we need to look at larger opportunities around that. What's important is that putting that into social housing frameworks and ownership models protects it into perpetuity, and I think that's the most important part because, when it goes into the market, you may protect it for five or 10 years, but then we find ourselves back in the same place.

Rent geared to income is about the demand side of the equation. We have things like the housing benefit, which started out with the national housing strategy. It could be wider; it could be deeper. We could do more there. Right now it is affecting only a very small number of people who need supports in their housing. Rent geared to income allows people to have a more balanced budget in their households, so that it's at 30% as opposed to, in some cases, up to 50%, 60% or 70% of the household income, which, as you rightly say, then moves people into using food banks and other ways of filling in the rest of the household's essential needs.

That is also something to be worked out with the provinces. Provinces are the ones that are administering some of the RGI. This ties up with social assistance, which is also the purview of the province. It could also be an opportunity for us to have a more enhanced Canada social transfer, which would be an important thing for the federal government to consider at some point.

Mr. Daniel Blaikie: Thank you very much.

The Chair: Thank you, Mr. Blaikie. That is our time.

I want to thank our expert witnesses on housing for informing our study on inflation in the current Canadian economy. On behalf of the members, the clerk, the analysts, the staff and the interpreters who will be putting our report together, we want to thank you for your remarks, for your testimony and for the answers you have provided to many questions. We thank you, and have a great day.

Members, I'll need you for some time, just to go over our subcommittee report. You should have received the subcommittee report. The subcommittee met on Thursday, March 24, and you received the subcommittee report the next day, Friday. I think it was distributed at 4:32 p.m. Along with the report, you would have received a schedule, and members would have seen the schedule.

Do members have any comments or anything about the report?

The only thing I see is that, at the end of the report, for members who do not sit on the subcommittee, if the federal budget is presented during a regular committee meeting time, the subcommittee agreed that we would cancel the finance meeting that day.

I'd like to see if everyone is okay with that.

• (1255)

Hon. Ed Fast: I'm sorry. I'm just looking for some clarification.

The Chair: Yes, Mr. Fast.

The subcommittee agreed that, if the federal budget is presented during a regular committee meeting time, we would cancel the finance meeting that day, so we would be able to be in the chamber and listen to the....

Some hon. members: Agreed.

The Chair: I think everyone is in agreement. Shall we adopt the report?

Hon. Ed Fast: Hold on.

There's one item in here: "That, once the Budget Implementation Act is presented in the House, the committee start a pre-study on the bill."

Why would we do that?

The Chair: That was agreed to by the subcommittee.

Mr. Blaikie, did you want to speak to that?

Mr. Daniel Blaikie: Sure. I'd be happy to.

I think the discussion there was just around trying to make sure we have more time, rather than less, to be able to study the bill, and given that we're juggling a few different things, including wrapping up the EMA study, that it would be advantageous to have more meetings rather than fewer meetings.

Hon. Ed Fast: I would be very uncomfortable doing that, because we have the inflation study and, quite frankly, even today's meeting was just so rich with information about what's happening in our economy right now as it pertains to inflation.

I do not want to see our current study program co-opted in any way by a pre-study of the budget, certainly not without first seeing what the budget entails. It could be a very tight and narrow-focus budget, which would allow us to narrowcast the meetings we have here. It could also be a massive budget that will require extensive study, but we don't know that right now.

For us to prejudice that and suggest that we're already going to do a pre-study, which may pre-empt or co-opt what we're already doing at committee.... At this point in time I'm completely unsupportive of that.

The Chair: Thank you, Mr. Fast.

I have Mr. Chambers and then Mr. Baker on this.

Mr. Adam Chambers: Thank you, Mr. Chair.

Look, while I sense both arguments, I would like to put forward that I don't believe the inflation study is nearing its end. There are a lot of individuals and testimony we have not heard yet.

I'm interested in hearing from grocers, telecoms and financial institutions. If we want to talk about how to keep prices low for Canadians and look at how we can tackle inflation meaningfully, I think we have a lot of work left to do on that study. Put me down for not wanting to significantly impair our ability to focus on inflation.

Thank you.

The Chair: Thank you, Mr. Chambers.

Go ahead, Mr. Baker.

Mr. Yvan Baker: If I go back to the discussion we had in the subcommittee and the rationale for this, which Mr. Blaikie just outlined, I agree with Mr. Blaikie: When the budget gets introduced, it's important that this committee allocate the time to study it, I believe. That's one of our key responsibilities.

The inflation study is also very important. I think that we have dedicated a lot of meetings to it, and I know that more meetings are coming, but I think it's important that we get to the budget.

What's in the subcommittee report that was agreed to doesn't stipulate the specifics. It doesn't speak to the size of the budget. It's not depending on the size of the budget, as Mr. Fast was alluding to, or the complexity, or anything like that. All it's saying is that when the budget gets presented, we should get to it as soon as possible.

From my vantage point, the reason for this is that it's something essential that this committee does. Certainly, I don't know what's in the budget, but I do know that every budget that's introduced is important to Canadians on a range of issues, so I wouldn't want our committee to delay in any way its movement on the budget.

I think we can do justice to the inflation issue by continuing that study as we have been, but we also have to make time for the budget. I think that's what this was meant to reflect.

• (1300)

The Chair: Thank you, Mr. Baker. Now we're going to Mr. Ste-Marie.

I spoke with the clerk and, yes, Mr. Baker is correct: We can do both. We did this, I guess, last budget. This is what we did with the last budget with the prebudget study.

Go ahead, Mr. Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

The budget is, first and foremost, a speech; it does not contain direct measures. It's really the budget implementation bill that we have to study carefully. It's always a mammoth bill and, as a general rule, the government tries to sneak things through.

I think the spirit of what was said in the subcommittee was that we give ourselves enough time to study this fully and not leave anything out, especially given that the time slots have been limited since the current special committees were created. At the same time, we always agreed that we would extend the study on inflation.

I see that time is running out.

I agree with Mr. Fast's point that it would be interesting to see what is not only in the budget, but also in the budget implementation bill, so that we can better assess how much time we need to study everything.

Perhaps I will take a cue from what Mr. Blaikie did and make a suggestion. Perhaps at this point, in order for us to move to a vote, we could simply withdraw this proposal in the subcommittee report and adopt it that way, bearing in mind that we will have to find the time needed to analyze the budget implementation bill. If it is agreeable to everyone, we could just remove that part of the subcommittee report and approve the report.

[*English*]

The Chair: Thank you, Mr. Ste-Marie.

I have Mr. Albas and then Mr. Blaikie.

Mr. Dan Albas: Thank you, Mr. Chair.

In regard to the one portion of it—"the committee reinvide the Deputy Prime Minister and Minister of Finance to appear on Thursday, March 31 and if the Deputy Prime Minister and Minister of Finance is not available, the committee invite Statistics Canada"—I want to reiterate how important it is for us to hear from the Minister of Finance on inflation, this being such a key issue. I don't think there's a bigger issue that everyone's talking about, right now, in the finance field.

If Statistics Canada ends up coming because the Minister of Finance decides not to come to the committee, I'd like to talk a bit about the CPI, housing and how it reports, and also about how the CPI has worked, historically—we haven't seen inflation like this for 30 years—versus the "basket of goods" that the CPI captures today. I'd also like to talk about the business confidence study that it recently issued.

Statistics Canada, I know, will want to come with at least some inkling of what I, at least.... I invite other members to discuss it, if they want to flag particular issues for StatsCan.

The Chair: Thank you, Mr. Albas. That will be helpful for StatsCan. That will be relayed to them through the clerk.

We have Mr. Blaikie and then Ms. Dzerowicz.

Mr. Daniel Blaikie: Thank you very much.

I'm open to Monsieur Ste-Marie's suggestion to take out the item around the prestudy today, with the cautionary note that I know, in the past, there have been many extraordinary meetings of the finance committee to deal with the budget implementation act. At a certain point, there will be a desire to move things along, because I'm sure there will be a number of items in the BIA that the government wants to see implemented before the end of June so that it can carry on with the business of implementing its items.

I know that committee life has been challenging in the pandemic context, with the constraints on resources and things like that. That's why I'm concerned about seeing the committee tie its hands and forgo time leading up to the BIA's passage. I think it's important that we not end up feeling unprepared to deal with the clauses of the bill as it goes through.

That's why I'm open to a prestudy on this one. While I think it's regrettable, if the past is any guide, the fact is that budget implementation acts have been getting bigger, typically, not smaller. This means that unless we're able to stop the practice, what we need to do is make sure we're finding time in committee to conduct a proper study, which is why I'm open to the idea of a prestudy of this bill even though.... I think this may be where Mr. Fast is coming from. Prestudies of bills are not something I like, as a general principle, but this one is likely to be large and we're going to want time to look at it.

It's about trying to find the time, in a context of limited resources, to have a proper study. I know there are other committee members who want to speak. I'm open to taking it out for today, but I think it's something we should then try to revisit before the two constituency weeks, to make sure we're not missing a window of time that could be allocated to this study of the BIA.

• (1305)

The Chair: Our subcommittee will be meeting again on April 7—that's when we have our next subcommittee meeting, for everybody's information on that.

Go ahead, Ms. Dzerowicz.

Ms. Julie Dzerowicz: Thank you, Mr. Chair.

I believe we did this for the last budget. We started the prestudy on the bill once the budget implementation act had been presented in the House.

I'm hearing a number of different comments from the different parties. I agree that this is going to be a fairly comprehensive budget. I think it would be helpful if we could, perhaps, once the budget implementation act is presented.... There's always a set of stakeholders that we typically hear from almost right off the bat, and it would be great if we could start with them.

Should we just postpone it to the next meeting and continue this discussion then, or should we have a vote on this? How are people

feeling? I wish Mr. Ste-Marie was here, because I could look into his eyes as well, to get a sense about it, to see whether there's any appetite.

Should we vote on it or should we just punt it to the next meeting? I wanted to look to my colleagues. What are you feeling?

I think the sentiment is to move it to the next meeting.

Thank you, Mr. Chair.

The Chair: Mr. Albas.

Mr. Dan Albas: Just for clarity, are we agreeing to take out the prestudy and then approve this unanimously if that's the case?

The Chair: I think what I'm hearing is that we are agreeing to the subcommittee's report as amended, and the amendment will be to take out the prestudy and revisit doing the prestudy on the budget implementation act at our April 7 subcommittee meeting.

Does everybody agree to the report as amended?

(Motion agreed to [*See Minutes of Proceedings*])

The Chair: Shall we adjourn?

Some hon. members: Agreed.

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the Copyright Act. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the Copyright Act.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website at the following address: <https://www.ourcommons.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la Loi sur le droit d'auteur. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre des communes.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la Loi sur le droit d'auteur.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante :
<https://www.noscommunes.ca>