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Chair: Mr. Peter Fonseca



Standing Committee on Finance

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• (1550)

[English]

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

Welcome to meeting number 114 of the House of Commons Standing Committee on Finance.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, September 21, 2023, the committee is resuming its study of policy decisions and market forces that have led to increases in the cost of buying or renting a home in Canada.

Today's meeting is taking place in a hybrid format pursuant to the Standing Orders. Members are attending in person in the room and remotely using the Zoom application.

I'd like to make a few comments for the benefit of the witnesses and members. Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike, and please mute yourself when you are not speaking.

For interpretation for those on Zoom, you have the choice at the bottom of your screen of floor audio, English or French. For those in the room, you can use the earpiece and select the desired channel.

Although this room is equipped with a powerful audio system, feedback events can occur. These can be extremely harmful to interpreters and cause serious injuries. The most common cause of sound feedback is an earpiece worn too close to the microphone. We therefore ask all participants to exercise a high degree of caution when handling the earpieces, especially when your microphone or your neighbour's microphone is turned on.

In order to prevent incidents and safeguard the hearing health of the interpreters, I invite participants to ensure they speak into the microphone into which their headset is plugged and avoid manipulating the earbuds, placing them on the table away from the microphone when they are not in use.

I will remind you that that all comments should be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the "raise hand" function. The clerk and I will manage the speaking order as best we can, and we appreciate your patience and understanding in this regard.

In accordance with the committee's routine motion concerning connection tests for witnesses, I am informed by the committee that all witnesses have completed the required connection tests in advance of the meeting.

Members, before we begin and before we get to our witnesses, let me thank the witnesses for their patience. We had a vote and things ran a little late. We're about 20 minutes over. I have checked, and we do have resources and will get the full two hours in today.

Members, before we begin, let's try to make this quick. This is about budgets. You would have received an email with some budget options from the clerk. We need to get a budget approved today. Please note that one option covers for a base budget increase because of interpretation devices, just like our October travel. The other is for an additional \$4,000 over the previous budget to cover the base budget increase plus audio recording that will be uploaded to ParLVU once the committee returns to Ottawa, for the audio only to be available following the meeting.

I'm just going to look around. We have these two options. We have option one and option two. Are there any questions? No?

Mr. Adam Chambers (Simcoe North, CPC): What's the recommended option?

The Chair: I believe it's option two, right?

Is that what you've heard, Clerk, that people are looking for? I believe it's option two. I think there has been some discussion and it was option two. Okay?

Some hon. members: Agreed.

The Chair: That's great. I see that everybody is in agreement. That's fabulous.

Now we'll go on to our witnesses.

With us today, we have, as witnesses, from Butler Mortgage Inc., mortgage broker and probably the owner or principal of Butler Mortgage, Mr. Ron Butler; from Markee Developments, a partner there, Ms. Jennifer Keesmaat; from Mortgage Professionals Canada, the director of public affairs, Ms. Jasmine Toor; from The Shift, Leilani Farha, global director, via video conference; from the Union des municipalités du Québec, Ms. Valérie Fortin, policy adviser, and Ms. Catherine Fournier, chair of the housing committee; and from West Neighbourhood House, the executive director, Ms. Maureen Fair.

Welcome.

With that, we're going to have the witnesses give us their opening statements.

We'll start with Butler Mortgage and Mr. Butler, please, for five minutes.

Mr. Ron Butler (Mortgage Broker, Butler Mortgage Inc.): Thank you.

It really is an honour to be here. As a teenager, I was fascinated by politics and government. I know that people say it's an honour to be here, but it actually is an honour for me. It's striking. Thank you for having me.

This housing crisis that is obvious to anybody who lives in Canada is a very real thing. It's difficult and it's complex, but in essence, the simple part is that the prices of houses are too high in Canada and rents are becoming unmanageable. As we move in that direction, we must find solutions. The solutions have to be found for the next generations, for the people of the future who want to own homes and are finding it effectively impossible.

For young people, the size of the down payment that they must accumulate and the level of income that they must attain in at least 50% of Canada right now is stratospheric. We have prices that are in excess of \$1 million in British Columbia and Ontario. I talk to young people every day on their hope of achieving what's necessary to get to the point of being able to buy a home. It's effectively impossible for the majority of them. They tell me that. They tell me that, in many cases, they've given up hope.

We also have, through these very high house prices, combined with much higher mortgage rates than we've experienced for almost a decade, incredible pressure on rents. In many areas of Canada, this is becoming almost unmanageable. People are confronted with increases in rent, or, if they have to change accommodation, the new rent is just so high that really, in some cases, they can't do it. They have to find other ways, such as moving in with others or getting support from family. There are so many cases that we know about.

Finally, there is the pernicious effect of outside money coming into Canada from other countries. The foreign buyers ban is a great first step, but money comes into Canada in ways that people don't completely understand. If you're using a house as a safety deposit box for money that you brought over from another country, it has a major impact on the marginal price of houses. The person who's using it for storage of his or her money doesn't particularly care what the price is. They just want to move the money. This is one of the reasons I believe we saw the foreign buyers tax come into place in the first place.

Now, as for fixes, there are a few. Let's start with something that's going on in British Columbia right now, which is the banning of short-term rentals. Short-term rentals are pernicious. They are all wrong for our country. It literally doesn't make any sense. Think about what a hotel is. It has a location in great tourist areas and urban centres. It has great advertising capacity. It has a terrific reservation system. Well, that is Airbnb. That's what Airbnb is. It is effectively a hotel. It is effectively an illegal hotel. We have a lot of hotel space in Canada. We don't particularly need any more hotel space.

So why do it? It's profitable. It allows landlords to make money in ways that they couldn't with a long-term tenant. We are depriving long-term tenants of these locations. We are also depriving people who could purchase those properties, because it's a business. It's not a place to live. This is a key area. As I've stated, we should really want to support that ban on short-term rentals throughout Canada.

Now, the other consideration is this approach of increasing the development of purpose-built rentals. The GST waiver was a tremendously positive move. Many provinces will match the PST waiver. This will change the face of purpose-built rentals, but there's a long way to go. I think Ms. Keesmaat will talk about the fact that there are just so many development costs associated with creating these new projects. There are so many loads of taxes and development fees and things that the municipal governments layer on.

• (1555)

These projects could be much, much more feasible if there was some pullback from the development fees, local taxes, red tape and Nimbyism that all prevent multiple dwellings in areas that should be upzoned.

There really is no reason why the provincial mandates to increase zoning in municipal areas to allow for multiple dwellings shouldn't be forcibly endorsed by the federal government.

Thank you.

The Chair: Thank you, Mr. Butler. You're right on time.

Now we'll go over to Ms. Keesmaat, please.

Ms. Jennifer Keesmaat (Partner, Markee Developments): Good afternoon, honourable members. It's wonderful to be here today.

You will hear some of the themes my colleague just outlined reiterated in my presentation.

I'm trained as a professional planner, but I've now switched teams and I'm a developer, developing housing in the GTA.

In 2019, I created a development company with my colleague, Jason Marks, who had been building rental housing in the city of Toronto for nearly a decade. Our objective in creating this company is to build affordable, transit-oriented rental housing in close proximity to transit. The objective is to build a much more sustainable urban form than the urban form we've been building in the GTA and across the country.

Surprisingly, one thing that has been a key driver behind this housing crisis, which has really been in the making for nearly a generation—my entire life—is how we have primarily been building housing in Canada. Seventy-five per cent of all new housing over the course of the past 10 years has been built as urban sprawl. It's been built on the periphery of our cities and greenfield sites.

This has proven to be unsustainable for municipalities from the perspective of providing infrastructure. It is unsustainable from the perspective of being able to integrate transit into these communities, largely because there simply isn't a high enough density to enable the frequencies that make transit viable. This, of course, drives up household costs. The second-highest cost for Canadians after paying the rent or the mortgage is the cost of transportation.

Part of delivering a much more sustainable approach to how we live in Canada is building housing in the right places and also building the right types of housing. This is as much a land-use planning problem as it is a construction problem and a financing problem.

In order to solve the housing crisis, we need to look at the problem from all three of those lenses: where we build housing; the materials we use and the design of that housing; and then, lastly, how we finance housing. All three of these areas need a fundamental re-boot.

I would like to spend a couple of minutes talking about some of the key issues that we see in building housing today.

When we started our company in 2019, of course, it was a low interest rate environment. Our very first project is 1,530 homes in the north of Toronto, where we are building mostly a missing-middle typology. They are six- to eight-storey buildings and a couple of taller buildings as well. That development was initially 100% rental, and 50% of those units were attainable or affordable and designed for middle-income earners.

Essentially, as a company, we self-imposed rent control. Rent control is a way of taking housing out of the market. The minute you put rent control on a building, it is no longer going to be subjected to the typical fluctuations you see in the market. We essentially did that as a company.

However, as interest rates began to increase, we discovered that we had a fundamental problem, which was the cost of borrowing for our construction period. Not only did our construction costs go up significantly, but the cost of borrowing went up significantly. From when we began our project to the completion of our approvals with the City of Toronto, we saw a \$75-million increase in our borrowing costs. That's just the cost of borrowing—\$75 million on that one project of 1,500 homes.

In order for the project to proceed, we have reduced the amount of affordable housing. We initially—approximately two years ago—changed the project to be a combination of a rental and condo, as a result of the cost of borrowing. Of course, when you're building a condo, you can finance the construction through the down payments on the condo.

I do have some very good news. From a policy perspective, once the waiver or the forgiveness of the GST was announced, we imme-

diately re-evaluated our entire portfolio. I would like to give you two examples of the impact of that. On the project I just mentioned, we are now going to, again, build 100% rental housing as a result of the forgiveness of the GST. It's a very powerful policy change. The changes at the provincial level on the PST are a welcome addition to that in the province of Ontario.

- (1600)

We have a second project. It's a 350-unit condo adjacent to the subway in the city of Toronto, where it was only viable to build a condo. As a result of the forgiveness of the GST, we've now changed that project. It is going to be a rental project, with 30% affordable housing.

What's really critical here is that when we add affordable housing that has an affordable period for the life of the housing, so in perpetuity, and there's rent control, the impact of that is that we are building housing that is really non-market housing, and it stays affordable over time.

I'd like to close by saying that I wanted to highlight for you the incredible impact of the cost of borrowing on housing delivery, in particular rental housing. Recalibrating the rental construction financing program, which really brought an entire generation of rental housing to the market over the course of the past 10 years, is really critical to ensure we can provide low-cost and long-term mortgages through CMHC for the delivery of more affordable rental housing in Canada.

Thank you.

The Chair: Thank you, Ms. Keesmaat.

We'll now go to Ms. Toor, please.

Ms. Jasmine Toor (Director, Public Affairs, Mortgage Professionals Canada): Thank you, Mr. Chair and members of the finance committee, for having me here today.

There is a growing consensus that a lack of supply, taxes across all levels of government, red tape, Nimbyism and a lack of labour have increased the cost of buying or renting a home in Canada.

I'd like to get a little more mortgage-specific to address the ability of first-time homebuyers to enter the market. In our latest state of the housing market report, we found that 48% of non-homeowners feel they will never be able to purchase a home in their lifetime. Young Canadians are giving up on the dream of home ownership. This is a problem that we cannot afford to ignore and that must be addressed urgently.

There are economic consequences to not addressing this problem. In the OECD's latest country report on Canada, the OECD notes, "High costs of housing can make it hard for people to pursue jobs in high-wage, high-productivity cities."

Some believe that any policy that increases the purchasing power of first-time homebuyers will stoke demand and drive up housing prices. However, in reality there are many targeted measures the government could adopt that would have a minimal impact on prices while making housing more accessible.

Increasing the insured mortgage cut-off to \$1.25 million and indexing it to inflation will help to better reflect today's housing prices, enabling first-time homebuyers and young families, particularly those in urban settings, achieve their dreams of home ownership.

Many first-time homebuyers who do not have a 20% down payment are currently being priced out of the market. The increased pressure is also reflected in the year-over-year increase in the number of people who required help from family members to make their down payment. This was 56% in 2021, increasing to 62% by the end of 2022.

Based on data received from Canada Guaranty, we can estimate that the increase would have a very small impact on stimulating housing market demand, potentially representing just about 1% of the overall mortgage market. In 2021 we saw about three million originations, and in 2022 we saw about two million originations. This would mean 20,000 to 30,000 potential new mortgages, which is a relatively small increase, but it is very meaningful to first-home buyers, particularly in the greater Toronto and greater Vancouver areas, where the average price of a townhouse has surpassed \$1 million.

Additionally, expanding the maximum amortization period for insured mortgages to 30 years will allow greater opportunities for home ownership.

Housing costs are the highest and fastest-growing expense for Canadian households. In December 2022, a report by RBC noted that 62.7% of household income is needed to cover home ownership costs. That's the worst level on record. Allowing homeowners a choice between a 25-year and 30-year amortization for insured mortgages will help level the playing field for first-time homebuyers and improve their ability to afford a home by lowering their overall mortgage payment.

Criticisms have focused on anecdotal examples from other countries, such as a program in the United Kingdom that offered homebuyers down payment grants. That is a far more wide-reaching policy than what we are suggesting here. We should be wary of comparisons with markets far different from Canada's and policies that do not compare with what we're suggesting.

Some other criticisms of 30-year amortization are that homeowners would pay more interest over the life cycle of their mortgage. A major flaw in this argument is that many Canadians are not holding on to their homes for 30 years. In fact, our recent consumer survey saw 43% of Canadians move their primary residence every 10 years.

In addition, the extra monthly savings would enable families to better afford their mortgage payments and help with long-term financial planning, such as contributing to an employer RSP plan.

• (1605)

With the right policies in place, the federal government can help ensure that the dream of home ownership remains available to Canadians.

Thank you.

The Chair: Thank you, Ms. Toor.

Now we'll go to Ms. Farha by video conference, please.

• (1610)

Ms. Leilani Farha (Global Director, The Shift): Thank you, and good afternoon.

I'm Leilani Farha. I'm the director of The Shift, a human rights organization focused on housing and finance. I'm also the former United Nations special rapporteur on the right to adequate housing.

Before my substantive comments, I would like to say that I come here with a very heavy heart. As an Arab Canadian and an expert in international law, I am disturbed by the human rights violations occurring in the occupied Palestinian territories and in Israel. To prevent any more innocent lives from being lost and to retain Canada's historic reputation of upholding human rights, I ask you to consider signing the ceasefire letter that your colleagues have put forward, if you haven't already.

This committee has heard from witnesses who've diagnosed that the housing crisis in Canada is attributable to a lack of supply, suggesting that we need to build around 2 million units in the upcoming years to solve the housing crisis. I want to challenge this econ-101 approach, because without significant fine tuning it risks producing more of the same: a lot of too-expensive housing and a whole lot of profits for a few, without meaningfully contributing to solving the actual crisis. We have to address the fact that the wrong demands have been driving housing supply, and supply models are currently designed to satisfy the wrong demands.

Don't get me wrong. I do think Canada needs more truly affordable rental housing in particular that meets actual need, and, yes, some of this will have to be newly built. However, it's wrong to think that Canada can build its way out of this crisis without stronger tenant protections, the harnessing of existing resources, addressing short-term rentals, and a radical change in the relationship between governments and housing providers.

Evidence shows that the rental housing market has been distorted by institutional and other investors using their outsized resources to leverage profits from housing. Because of that, households are being squeezed and priced out. StatsCan recently reported that more than 50% of the total value of purpose-built rentals was held by institutional investors and for-profit businesses like REITs. We know that purpose-built rentals that are owned by institutional investors are based in a business model that seeks the highest possible valuation of a property. To support that valuation is a mathematical equation that requires that rents and fees be raised, whether existing tenants can afford it or not. Profit-seeking of this nature means weak tenant protections like vacancy decontrol and above-guideline rent increases are exploited. It means rental housing is being demolished at alarming rates and replaced with more expensive buildings.

In 2022 more rental units were built than in the previous three decades, yet rents continue to increase in pretty much every jurisdiction across Canada. This suggests that while what's being built may satisfy investor and business interests, it is not meeting the needs of tenants.

In these supply-side debates, I find myself wondering whether there is a magic number of newbuilds that will result in rent decreases to levels that households on low income can afford. How long will this take, and what should low-income tenants do while they're waiting for this very uncertain future?

I propose that a supply-side response needs to be situated within legislative and policy conditions that will produce the right kind of outcome, an outcome that ensures that those in housing need can access any of the new units, that rents are set at levels people can actually afford, that newbuilds don't displace existing tenants through demovictions, and that housing be used for its primary purpose: as a home.

- (1615)

This can be achieved only through new economic thinking that recognizes that governments have a lot to do with how markets operate. There's a real need for governments to step in and shape economies. Rather than being led, governments need to lead the private sector and develop coresponsibility for solving the crisis. They need to ensure that, where public money is spent, it produces real public value. For example, when you give a GST rebate to builders, conditions are attached to require that they build housing that is affordable to those most in need.

I'll close with this question: What if I am correct that just building more rentals doesn't result in the trickle-down you're expecting? Wouldn't it be better to put in place the legislative and policy conditions to make sure that it does?

Thank you.

The Chair: Thank you, Ms. Farha.

Now we will go to the Union des municipalités du Québec. I believe it is the chair, Ms. Catherine Fournier, who will be delivering remarks.

[*Translation*]

Ms. Catherine Fournier (Chair of the Housing Committee, Union des municipalités du Québec): Thank you, Mr. Chair.

Ladies and gentlemen, thank you for this opportunity to comment on the current housing crisis, an issue that is critically important to our society. I am here today with Valérie Fortin, Policy Adviser to the Union des municipalités du Québec, the UMQ.

First, I would like to say that the UMQ brings the local governments of all regions of Quebec together to leverage municipal expertise, support its members in exercising their jurisdictions and promote municipal democracy. Our members represent more than 85% of the population of Quebec.

The housing crisis is a complex problem. The imbalance between housing supply and demand increases every year. Consequently, many tools must be brought to bear to address it. A major catch-up effort must first be made to build the 130,000 units needed per year just to preserve housing affordability in Quebec, where housing starts currently lag more than anywhere else in the country. What is more, according to the Société d'habitation du Québec, 37,000 households are waiting for social housing in Quebec.

On the ground, UMQ members estimate that at least 4,500 social housing units and 12,400 affordable units must be built per year to meet Quebecers' needs. I would note, however, that those estimates are based on clearly conservative demographic projections in a context of strong temporary immigration growth, which rose 46% in Quebec between July 2022 and July 2023. That represents an additional 150,000 persons who must also be housed.

In short, this is a major challenge. It is also the reason why additional efforts and investment will be required by all orders of government, including the federal government, to establish the conditions for increased housing supply and affordability in the next few years. The quality and safety of existing housing will also have to be maintained. Cities must take responsibility, of course, and that is what we are currently doing in Quebec, with strong commitment from the municipal sector to achieve these objectives. However, the Government of Canada must also take action in various areas to lower the cost of housing in Quebec and stimulate housing starts.

We therefore wish to comment on the various federal housing programs that have been established for the municipal sector and offer some constructive proposals to address the current housing challenges.

First of all, we welcome the agreement that was reached with the Quebec government on October 13, under which \$900 million will be transferred to Quebec from the housing accelerator fund. In addition, the rapid housing initiative, or RHI, has proven to be effective in quickly providing housing for vulnerable households since it was introduced in 2020, and it must be maintained. However, the 2023-2024 federal budget does not include any new money for this program.

It is also essential that the maximum contribution levels under the RHI be adjusted to current conditions in Quebec and that program requirements allow projects to close their financing by means of mortgages. The national housing co-investment fund is very important for Quebec and is so popular that funding for the program is no longer available. New funding must be made available soon so that hundreds of pending units can be built.

With regard to homelessness, the Canada-Quebec agreement on implementation of the reaching home program, which will terminate in 2024, will have to be substantially improved to address the situation in Quebec, where the homeless population now numbers 10,000.

I would note that, according to the last progress report on the national housing strategy, Quebec has received only 13% of funding, whereas we obviously represent more than 20% of the population. I repeat that the largest decline in housing starts has occurred in Quebec.

However, to stimulate new housing starts, more solutions will have to be provided to enable private and social promoters to access enough capital financing and better loan conditions. The numbers simply don't add up for promoters any more. CMHC's programs providing access to lower-interest loans should be more flexible and afford promoters greater predictability through rapid response mechanisms. We also call on the federal government to urge the banks to play a greater social role in stimulating residential construction.

However, to maintain housing affordability, efforts must also be made to facilitate the acquisition and removal of existing units from the market. According to a study by Steve Pomeroy, at Carleton University, for every social or community housing unit built in greater Montreal, we lose from the private market more than 17 affordable units that rent out for roughly \$750 a month, a figure that represents 30% of the income of a single person earning the minimum wage.

• (1620)

In short, the federal government must invest more in the acquisition and removal of existing units from the housing market. The best affordable housing unit is one that already exists.

I will conclude by saying a few words about infrastructure funding and programs. The federal government must play a key role in funding future municipal water infrastructure. Capacity issues are currently holding up many projects in our municipalities. It is also important that the federal government quickly come to an agreement with the Quebec government over the disbursement of funding provided under the Canada community-building fund.

Lastly, I would add that the flexibility and agility of federal programs, their fit with Quebec's problems and the speed with which the government reaches agreement with Quebec on funding transfers are critical factors in enabling Quebec municipalities to make a full contribution to resolving the housing crisis.

The Chair: Thank you, Ms. Fournier.

[*English*]

Now, again via video conference, we're going to West Neighbourhood House and Ms. Fair.

Go ahead, please.

Ms. Maureen Fair (Executive Director, West Neighbourhood House): Thank you, Mr. Chair.

• (1625)

[*Translation*]

Good afternoon.

[*English*]

Thank you for inviting West Neighbourhood House here today.

I have a brief that I sent in on Friday with nine recommendations. It's being translated for you. I don't know if you have it yet.

West Neighbourhood House is a multiservice, not-for-profit organization serving about 15,000 to 20,000 individuals each year in downtown west Toronto, including the Davenport riding ably represented by MP Dzerowicz here. We work with people experiencing homelessness, with low-income people and families, and with seniors. Many of those seniors are cash-poor but housing-rich.

Despite our name, West Neighbourhood House, we currently don't provide shelter or housing, but I will describe our effort to do so in a few minutes.

First, I want to speak about building new housing supply for lower-income people, including new entrants into the labour market such as young adults and newcomers.

Canada is not a pure democracy; we are a parliamentary democracy with a Charter of Rights and Freedoms that protects minority rights. Canada also doesn't have a fully free market; we have regulations that protect consumers and citizens.

While not perfect, Canadians have found ways to thread the needle between freedom and the protection of people when they are vulnerable. One of the ways Canada does this is through its large and vigorous not-for-profit, for-public-benefit sector.

Having low-income people housed appropriately is a public benefit. We all benefit from having young adults and newcomers able to get and keep work because they are housed and stable. We all benefit from having workers live near their workplaces and not have to lose hours of their daily lives in transit. We all benefit when children from low-income families have a stable and appropriate home.

We recommend that the federal and provincial governments invest more in not-for-profit provision of housing, separate from for-profit housing. The opportunities in the not-for-profit include operating affordable housing and/or supportive housing, co-operatives, and community land trusts for keeping land as a community asset.

Non-profits bring a number of assets to help the affordable housing crisis. Not-for-profit charities are mission-driven, not profit-driven. Assuming that profit expectations are approximately 5% to 8% return or more, this is a significant savings to the public purse. Many not-for-profits own land that can be used or intensified for affordable housing with the right funding in place. Charities have a moral and legal asset lock to ensure public benefit for perpetuity, justifying investment for a long-term payoff for the community.

To give you a sense of the investment needed, I'll share a West Neighbourhood House example. We have a half acre of land worth \$15 million, which we want to contribute to affordable housing. Our pro forma to build 76 units—including 36 two-bedroom or three-bedroom units for families—of moderately affordable housing at 80% to 100% of the local median market rate shows a total cost for the housing at \$52 million. The rents over 50 years could sustain about a \$30-million mortgage. We have \$4 million in development fee waivers from the City of Toronto. We now have approximately \$5 million of savings in GST and HST exemptions. Regardless of these inputs, there is still a gap of \$22 million. This housing is a public benefit that needs investment, we would argue, from a revitalized national housing strategy.

From our experience, the national housing coinvestment fund needs a complete rethink and stable rules. In addition, we've not seen significant or sustained benefits from the much-vaunted private-public partnerships of investment by different levels of government, with many short-sighted terms of affordability for only 10 or 15 years.

There are promising initiatives such as the federal rapid housing initiative, which I have heard other witnesses speak of as well. It is a really great program. The federal government covers most of the capital costs. By reducing or eliminating the need for debt financing for affordable housing, we'll have freed up funds for additional affordable housing or other priorities. For our project alone, a \$19-million mortgage would cost an additional \$24 million in interest over the 50 years.

Building housing is expensive, but the cost of not building affordable housing is also very expensive. The City of Toronto has just released some numbers about the financial costs of shelters and hospitals in comparison, where people who are unhoused end up. It's much higher in the long run, and there are additional costs to the quality of people's lives in those places.

Given that shelter and hospital costs are mostly within provincial and municipal jurisdictions, there is a clear financial case and incentive for different levels of government to co-operate with regard to affordable housing. One example is addressing vacancy decontrol. That would have an immediate benefit.

Finally, I want to, as other witnesses have done, also offer a recommendation about stemming the losses of currently affordable housing. We recommend a tax deferral or forgiveness for private landowners who sell their multi-unit residential buildings to a not-for-profit. This would counterbalance the investor-driven takeovers of relatively affordable rental buildings much more affordably—at 30% to 40% lower cost than that of newbuilds.

Thank you again for including West Neighbourhood House today.

The Chair: Thank you, Ms. Fair, for your opening statement.

Thank you to all the witnesses for your opening statements. We have a great group of experts here on housing, and I know the members are eager to ask you many questions. We're going to get right into them.

In our first round, each party will have up to six minutes to ask you, witnesses, questions. We are starting with MP Chambers for the first six minutes.

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

Welcome to our witnesses. I echo the chair's comments. It's a great panel.

I want to spend a bit of time with Mr. Butler to start off. Thank you for coming. I know you said it was an honour, and it's nice to have you here.

I've said before that nothing good ever comes from Twitter, although I would suggest in a non-partisan way that your bluntness and the advice you like to provide are perhaps some of the reasons you find yourself providing witness testimony today. Maybe in your case it's a good thing.

If you were king for a day and you could change a couple of things that would help Canadians out with respect to housing, what would you do?

Mr. Ron Butler: In my opening remarks I talked about things I thought about that would create immediate change.

The ban on short-term rentals would create immediate change. It would immediately reduce prices, instantly. It would discourage developers in the private sector from building micro condos, from building a 385-square foot condo, which is frankly ridiculous. It would eliminate the desire to create that product, because there's no market for it other than as an Airbnb unit. The release of inventory into the space would be immediate. The investors in these Airbnb projects would simply say, "Well, I can't make any more money; I'd better sell it," and it would be sold to a long-term landlord or, better still, it would be sold to individuals who want to live in the unit, which is critical. That would be a great benefit.

The next move has to be that we look at the number of empty homes in major cities in Canada, in the whole of the GTA and Vancouver. This area of empty homes is real. Often people say it's false. You get that feedback on social media that it's not real, that there are no empty homes. People like to talk about that all the time, but it's also obvious that there are. The recent Toronto move to tax empty homes showed that there might have been as many as 28,000. That still has not been determined as yet. Heavens to Betsy; we should release empty homes into the hands of people who want to live in them. That should be a priority for any government. I realize we have overlapping responsibilities, provincial and federal, but getting more inventory into the hands of homebuyers quickly, efficiently and effectively would be my top priority.

• (1630)

Mr. Adam Chambers: Thank you.

To follow up, you talked about investors—short-term rental investors and also foreign investors. What about retail domestic investors who use the equity built up in one property as a down payment for a future investment property? Do you have any suggestions there?

Mr. Ron Butler: That has to be a concern, and I'm not sure why it isn't a concern to OSFI, the banking regulator, that in reality we have created an environment of 100% financed rental properties in Canada. By the way, this is something that was eliminated in the United States after the 2008 mortgage crisis down there. They realized they didn't want to have anybody doing 100% financing of rentals anymore. It's dangerous. These are highly leveraged and, just as in the environment we see today, this is one of the reasons rents are going through the roof. People are borrowing out of the existing equity on their homes through a line of credit, using it as a down payment on a rental property and getting a mortgage for 80% of that rental property, so that's effectively 100% financing.

It's a very simple move for the banking regulator to say, "We don't want any more borrowed down payments on rental properties". That would take a lot of the leverage out of the system and ultimately, to Jennifer's point and to the other witnesses' points, with professionally managed, safe, large-scale rental buildings, there's no such thing as renovation or demoviction or family eviction. It's a safer model for everybody who's in a long-term rental, and this change of eliminating the borrowed down payment for rental properties would allow for the removal of that amateur landlord from the system.

Mr. Adam Chambers: Thank you. I have a couple of quick questions with my remaining time.

Would you support an instruction or a move by CRA to verify income for the purposes of mortgage on behalf of borrowers to lenders?

Mr. Ron Butler: It would be my greatest wish.

To define it simply and quickly for the committee, there is way too much income document fraud in Canada. You can buy T4s for \$8.99 on Reddit.

It would be very useful and a very simple fix to simply say, "CRA, we need some linkage to the big banks, which have highly secure systems." If, in fact, we have a document that the borrower has provided us, let's verify that one single box on the notice of assessment, line 15000, is the same as CRA has in its system.

I believe that CRA even has a budget for it. They just can't be bothered today.

Mr. Adam Chambers: Thank you. I have one last question.

Does it make sense for OSFI to enforce the B-20 rules upon renewal?

Mr. Ron Butler: Absolutely not. There is no sense enforcing the B-20 rules. Let's just look at a renewal. If you're a consumer, you have a mortgage. If you're a borrower, you have a mortgage. You want to get a better rate. You want to search for a better rate. You're not looking for one dollar more of financing. You're not wanting to change your mortgage one penny.

However, the banking rate literally says, "We have to impose a 2% stress test on this thing by which you cannot get one single extra cent." You're just looking for a better deal on your mortgage and there's no reason.... The regulator has not even developed a convincing reason. It's very mysterious why they think it's still important to have a stress test. It makes no sense that you can't shop for your mortgage.

Wouldn't everybody here who has a mortgage like to be able to shop effectively for it? Why should that 2% stress test stand in the way? It doesn't make any sense.

Yes, that's a change I'd make.

• (1635)

Mr. Adam Chambers: I believe that's my time.

Thank you very much, Mr. Chair, and thank you, Mr. Butler.

The Chair: Thank you, MP Chambers.

Now we go to MP Baker for six minutes.

Mr. Yvan Baker (Etobicoke Centre, Lib.): Thanks very much, Mr. Chair.

Thank you to all the witnesses for being here today. I've learned a lot. I'm sure we'll learn a lot in the remaining time at our committee here.

One of the things I learned is that you can buy things on Reddit. I didn't even know you could do that. I wouldn't necessarily advise it, based on my experience on Reddit, but that's a good thing to know.

I'm going to direct my questions to Ms. Keesmaat to begin. I'm going to begin with the recent announcement by the federal government to remove the GST on rental construction. What do you think the impact of that will be on getting apartments built?

Ms. Jennifer Keesmaat: I can't speak for other developers, but I know that there have been some significant announcements in the city of Toronto whereby developers are re-evaluating condo projects and now looking at the viability of building rental projects instead, as we have done as well.

Probably the most significant impact has to do with financing and the allocation of capital. We had a meeting with one of our large capital backers last week. Whereas in the past that capital backer has primarily invested in condo projects, they said they're now interested only in rental projects.

That's for two reasons. One is that the forgiveness of the GST has now made many rental projects viable when they weren't viable. It's also a way of mitigating risk in a context where there is a challenge, given high interest rates, with selling condos in the first place.

There's a real opportunity. We're in a moment. Sometimes a moment happens, and you can seize that moment to fundamentally drive new kinds of housing supply. We're in a moment right now when the forgiveness of the GST is changing the way capital partners, large pension funds and banks are allocating their money to development projects.

That's a significant change.

Mr. Yvan Baker: In summary, if I heard you correctly, project backers, people who finance the construction of homes, in this case rental buildings.... There are suddenly a number of projects that previously weren't financially viable for them that are financially viable, and therefore more rental apartments will get built. Is that correct?

Ms. Jennifer Keesmaat: That's absolutely correct.

Mr. Yvan Baker: Ms. Keesmaat, at finance committee we've been spending a lot of time hearing from very thoughtful folks about why housing prices are as high as they are. Witness after witness has basically come forward and said that the main reason housing prices are as high as they are is that there's a lack of supply across the country.

Do you agree with that?

Ms. Jennifer Keesmaat: Absolutely, yes.

Mr. Yvan Baker: This measure is designed to help build more homes—in other words, increase more supply—which is the critical measure we need to take to help reduce prices—rental rates—for folks.

Ms. Jennifer Keesmaat: That's correct. I think it's important to stress—and I think there were some other speakers who alluded to this—that we actually have a shortage of supply across the entire housing spectrum, and when you build affordable rentals, it means

fewer people on social housing wait-lists, because they can now access affordable rentals.

When you build more rentals, you will see fewer people reaching for a mortgage they can't quite afford—which is a vulnerable thing to do—because they have access to a stable rental home in a good building that's well maintained. The outcome of this is actually injecting a significant amount of supply into an area where we have a really profound gap, which is rental housing.

Mr. Yvan Baker: That's really helpful to understand.

I want to ask you about a private member's bill that's been introduced by Pierre Poilievre. What he's proposed to do is remove the GST only on below-market rental construction. Could you explain what would be the difference and impact between what he's proposing and what the government has announced?

Ms. Jennifer Keesmaat: Well, there are a couple of things.... One is that if the objective is to incentivize affordable rental housing specifically, there's a whole variety of measures that are required in order to make that achievable. For example, on our projects, not unlike what Maureen mentioned, there are incentives in the city of Toronto that make that viable. This means that in other jurisdictions—let's say we went to Guelph, Kitchener or Surrey, B.C.—the removal of the GST alone would not necessarily mean that it's viable to build that affordable rental housing.

One of the challenges with building housing is that you have the cost of land, which is absolutely a critical part of the overall pro forma. You have the cost of labour. You have the cost of borrowing. Some of those things are set. The cost of borrowing is set right now, but the cost of land is something that isn't. You have home builders who have land they purchased 20 years ago that they can now look at for building rental housing given the forgiveness of the GST, and it's viable.

We heard from Maureen that just the forgiveness of the GST, as well as the City of Toronto incentives, still do not create a viable project. The point of explaining it is that there are so many variables that go into the viability of any given project that one of the tensions in policy-making is that it has to be loose enough that it's going to capture enough projects.

For example, the project I mentioned that is 350 units is a tower building on a subway site. That project is only viable to do 30% to 100%—or 80% to 100%—of AMR in terms of the affordable, because of the cost of the land as one of the variables. My concern with the proposal you just mentioned is that it might be too specific. I'm not sure where it would work. I think you want to make sure that the policy is broad enough that it can capture a variety of scenarios and not so narrow that it doesn't become applicable.

On the criteria in the coinvestment fund, we haven't been able to make it work on a single project, because it's too specific. It's too rigid. That is a real tension in policy-making for housing: If the policy is too specific, I don't know how much it will capture and really drive supply.

Mr. Yvan Baker: Thank you.

• (1640)

The Chair: Thank you, MP Baker.

Now we'll go to MP Ste-Marie via video conference.

[*Translation*]

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

Greetings to the witnesses.

My questions are for the representatives of the UMQ, the Union des municipalités du Québec.

Ms. Fournier, the Chair introduced you as the chair of the UMQ housing committee. That's one of the hats that you wear, but you're also the mayor of Longueuil, one of the largest cities in Quebec. It's a magnificent city. Thank you for being here, and I'd also like to greet Ms. Fortin, the UMQ's policy adviser.

Ms. Fournier, you explained in your statement how significant the issues are. There is homelessness, and there are needs for social housing and housing in general, and, for the cities, there's the whole infrastructure issue.

In Ottawa, we saw the Prime Minister and the Conservative leader accuse the cities of delaying housing starts. Then the Conservative leader introduced Bill C-356, which would require the cities to increase housing starts by 15% every year. If they fail to meet that target, he says that it will reduce their payments from the gas tax fund, which is used to finance infrastructure, and from public transit funding. He would reduce those payments in proportion to the amount by which the cities fail to meet the new housing target. However, in the past year, as a result of interest rates, housing starts have declined by 60% instead of increasing by 15%, as the bill would require. That would therefore amount to a difference of 75%. Consequently, the municipalities would have lost 75% of their infrastructure and transit funding.

Do you think that might be a solution to the problem?

Ms. Catherine Fournier: Thank you very much for your question.

For starters, I would note once again what I said in my opening remarks. Yes, the cities need to take responsibility for housing. It's true that we can do more, by expediting permitting, for example, but I can assure you the cities are fully engaged in this process.

At home in Longueuil, for example, we're conducting a regulatory review; we're in the process of revising all our municipal bylaws in order to improve efficiency and provide real estate promoters with more predictability within our city limits. However, the issue is far too complex for what the cities can do alone, and that's why all levels of government need to work together to address the housing crisis.

Even though some real estate developers have permits duly issued by the city, we're seeing that projects that are under way are experiencing slowdowns or have been completely halted for macroeconomic reasons and the fact that the numbers no longer make sense. Consequently, if a project isn't profitable any more, the promoter has no interest in completing it.

In addition, the cities have a responsibility for the development of our land. Cities can't be built on the urban spread model any more, as they used to be. Some witnesses noted that. You have to densify. That's especially true in large urban areas, such as the city of Longueuil, for example, and that involves additional infrastructure investment.

It's obviously costly to build new housing, but it costs just as much to adapt our existing infrastructure, which is aging and already requires significant efforts to maintain assets, so water can run through the taps of new housing units.

It seems silly, but it's actually as simple as that. We're going to need colossal investment, not only to meet public housing needs, but also to cope with the increased pressure on our infrastructure caused by climate change. The Union des municipalités du Québec estimates that the investments that will be necessary to adapt our infrastructure to climate change, particularly municipal water infrastructure, will amount to at least \$2 billion.

So the problems are glaring, and, as you know, cities are funded in large part by property taxes. That's why we also need investment from other levels of government, including the federal level.

• (1645)

Mr. Gabriel Ste-Marie: Infrastructure needs follow from real estate development. Consequently, Ottawa will have to start thinking about a plan to provide better support for the cities' infrastructure. You mentioned property taxes, which aren't enough to guarantee funding for all that. So there's a problem. It's very interesting. Thank you.

You also mentioned interest rates in your statement. As you just said, interest rates are currently delaying housing construction. However, we know that CMHC or the federal government can make loans at lower rates than entrepreneurs.

Are you asking that CMHC add new building programs for social housing units, or housing in general, at lower interest rates?

Ms. Catherine Fournier: From what promoters tell us on the ground, borrowing costs are really the main factor putting a brake on most pending projects. The problem with CMHC's currently available programs is that they lack predictability. It takes months to get a response. We all know it's all about the delays. Time is money for the promoters; not knowing whether they'll have access to the programs prevents them from closing their financial packages. Requirements are also too restrictive. So more flexible arrangements are needed to help the promoters.

Earlier I said that the banks should play a greater social role. We know that financial institutions currently lend approximately up to 70% of the total costs of rental projects. It would be false to say that they're risky projects in the present circumstances. Couldn't financial institutions lend a larger percentage of project values?

We also know that interest rates influence discount rates, which also restricts promoters' borrowing power. Once again, this has a major effect. You can't expect private projects to go ahead when the numbers don't add up. That's often what you hear on the ground from that promoters we cooperate with in our cities.

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

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

[*English*]

Madam Mayor, thank you.

Now it's over to MP Blaikie for six minutes.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much, Mr. Chair. I, too, would like to thank all of our witnesses for being here today.

I think it's been well established that Canada needs more housing supply. We've heard here today and we've heard at other times in front of this committee that something has been happening on the demand side of the equation. Mr. Butler was talking about short-term rentals as a relatively recent phenomenon and the impact on the housing market. We've heard that homes are being used, in some cases, as a way to store cash. We've seen long-term investors get into the market, and they want to raise rents in order to get the most return on investment over the life of the asset. We've also heard that during the pandemic people wanted more space. They thought they were maybe going to be stuck in their homes forever—it certainly felt that way sometimes—and so they wanted bigger yards. There was a lot of movement in the real estate market.

I'll start with Ms. Fair, because she's with us virtually. You also talked about some of these phenomena. Do you want to add anything to that list of new demand pressures, or different demand pressures on the Canadian housing market?

● (1650)

Ms. Maureen Fair: I think others have spoken about the.... Is there something wrong with other savings vehicles that are making people turn to property as an investment? People seem to be leaving savings in the stock market behind, or they're doing both. I think there's a rush towards investing in property as a commodity that seems safer. Maybe there's something about income security that can be improved that would have people motivated to not be investing in housing as a profit-making piece.

I think there are lots of other things going on for people, as well, in terms of just figuring out where we can extract public benefit as opposed to creating profit, for the well-being of people, in a broader sense, that affects everybody. We're all in the same boat. We're all in the same country. If we have rental units in our homes, do we need to charge top dollar? Is there a way we can acknowledge landlords who don't charge top dollar? There are many stories of compassionate landlords, who see the person living in their house as a member of their family, in a sense. Promoting that sense of community instead of greed and profit is a bit of a pipe dream, a bit of rhetoric, but maybe there's something to it.

Mr. Daniel Blaikie: Thank you, Ms. Fair.

Ms. Farha, is there anything that you want to add to that list of demand pressures?

Ms. Leilani Farha: I think there are some new areas of investor demand that we would do well, in this country, to understand and be concerned with.

One area is student accommodation. We are learning that students are having a very difficult time both paying for tuition and paying rent. In many cities—Halifax is a really good example; I have a daughter there right now—it's the rent that's more unaffordable than the tuition.

What worries me is that the answer a lot of people give is to build more student accommodation—more supply. Again, I push back against doing that without regulated supply. I've seen in countries around the world—my expertise is international as well as domestic—investor companies building and buying units for students and then charging exorbitant rents. It means that student housing is available, but it ends up still being unaffordable—I mean, incredibly exorbitant.

Some of the buildings are amazing. They have ping pong tables, cafés, swimming pools and running tracks, etc., but they are unaffordable. This, of course, increases differences in learning outcomes for students who can't afford the exorbitant rents. They live further away from campus and they're often already working a job, so it makes it more difficult for them to achieve.

The other area—I won't go into any detail—is of course long-term care homes. Obviously, as we have an aging population, there's going to be a growing need. That is a huge investor area. Long-term care homes are both expensive and deplorable, as we learned at the beginning of the pandemic.

Mr. Daniel Blaikie: Thank you very much for that.

Mr. Butler, I'll come back to you on this question.

I'm curious to know if you have a sense of the size of inventory that might be put back on the market if the government were to do as you suggest and ban short-term rentals.

Do you have a sense of how many units or family homes we would be talking about?

• (1655)

Mr. Ron Butler: Sure. You're looking at 100,000 units immediately, at least. This would come on stream within the course of one year.

Let's face it. If you can't make money on your short-term Airbnb, you're going to find a way to get out of it. They will come on the market just that quickly.

Mr. Daniel Blaikie: Do you have a sense of what that might do to prices in the market, if you had that much inventory come on the market at one time?

Mr. Ron Butler: The fear of it is actually causing reductions in Toronto pricing right now, as we speak. The prices of very tiny condos have started to drop as people unload them because their belief is there will be further restrictions on Airbnb. The City of Toronto developed restrictions, and the response to that has been the sale of these units. As we've observed in the last six months, the prices of those microunits have come down steadily.

This is a very immediate and very effective tool that can be used.

The Chair: Thank you, MP Blaikie.

Witnesses and members, we are moving into our second round of questions. The timing is a bit different in this round.

We're starting with MP Lawrence for five minutes, please.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you.

I'd like to start by sharing my time with Jasraj Singh Hallan.

Mr. Jasraj Singh Hallan (Calgary Forest Lawn, CPC): Mr. Chair, I just wanted to put a motion on notice.

We know that after eight years of this Liberal Prime Minister, Canada has a cost-of-living crisis. Life is more unaffordable than ever before.

Given that the Governor of the Bank of Canada confirmed that the carbon tax is inflationary.... We know what makes food more expensive. If you tax the farmer who makes the food and you tax the trucker who ships the food, ultimately the person who buys the food gets that tax passed on to them. We also know that it makes the cost of gas and home heating more expensive.

The Prime Minister just did a massive flip-flop, giving 3% of Canadians a pause on the carbon tax on home heating in Atlantic Canada, where his poll numbers were tanking.

Given that, I want to put this motion on notice:

That the committee immediately undertake a five-meeting review of the federal carbon tax and its impact on affordability; and that the committee invite the Minister of Finance to appear on this matter.

Thank you.

I'll turn my time back over.

Mr. Philip Lawrence: Thank you.

I'm going to start my questions with Ms. Keesmaat.

We had the Governor of the Bank of Canada. We've also heard other testimony that the fiscal policy of this Liberal government is driving up inflation.

We also heard that the carbon tax, as my colleague just mentioned with the motion, is driving up inflation. Actually, a third of inflation above target he attributed directly to the impact of the carbon tax.

If we were to get back on target and bring inflation back down to 2%, and if interest rates were to return to what they were pre-pandemic—let's say to 2% as the bank rate—would that help you build more affordable housing?

Ms. Jennifer Keesmaat: Through the chair, yes, absolutely. Many of the projects that are currently on hold are on hold precisely because of inflation and the cost of borrowing. Undoubtedly, those projects would be viable once again if inflation were reduced.

Mr. Philip Lawrence: Thank you very much.

I'm going to ask some questions of Ms. Toor as well.

You began your discussion talking about the lack of supply and taxes, and then you had some recommendations.

I want to ask the same question that Mr. Chambers asked of Mr. Butler. If we were able to allow electronic verification—for example, having the CRA verify, with the permission of the taxpayer—would that be helpful to you?

Ms. Jasmine Toor: Certainly, it would be. That is actually one of the requests that we submitted in our pre-budget submission to this committee.

We are in discussions with the Canada Revenue Agency. To my understanding, the department is already working on a solution that we would support across the industry. Interestingly, the Office of the Superintendent of Financial Institutions recently indicated its support for independent income verification, as well, on mortgage applications.

Mr. Philip Lawrence: Thank you.

Because you brought up the regulators, are you finding that the regulators are working together and making it easy or cohesive, or do you see any issues with the regulation in the mortgage industry?

• (1700)

Ms. Jasmine Toor: I would say that, at least at the federal level, the regulators speak to one another on a regular basis.

Currently we are aware that the Competition Bureau is doing a study on the stress test and the impact on transfers, switches and renewals. We have also been in touch with the Competition Bureau and OSFI on this matter. Interestingly, they recently clarified, in a publication on October 16, that for insured mortgages, the stress test is not required for transfers, switches and renewals. As Mr. Butler mentioned, we'd like to see the same for homeowners in the uninsured space.

Mr. Philip Lawrence: Thank you for that. That was exactly my next question. You answered two questions in one, so that's great.

The Chair: That's your time.

Mr. Philip Lawrence: Okay, that's fine.

Thank you very much to the witnesses.

I really appreciate all your testimony.

The Chair: Thank you, MP Lawrence. We were just coming up to the end of your time.

We'll go over to MP Weiler, please, for five minutes.

Mr. Patrick Weiler (West Vancouver—Sunshine Coast—Sea to Sky Country, Lib.): Mr. Chair, I think PS Bendayan will be taking the slot.

The Chair: PS Bendayan.

[*Translation*]

Ms. Rachel Bendayan (Outremont, Lib.): Thank you very much, Mr. Chair.

Thanks to my colleague Mr. Weiler.

I have a few questions for the representatives of the Union des municipalités du Québec.

Ladies, welcome to the committee.

Thank you for being here and for the information you've already given us.

I would have liked to hear what you had to say about Mr. Fraser's recent announcement about the agreement reached with Quebec regarding the housing accelerator fund.

We're obviously eager to know the details of that agreement.

Do you already have any comments on the \$900 million transfer and how useful it will be for housing construction in Quebec?

Ms. Catherine Fournier: Thank you very much.

Yes, as I said at the start of our remarks, it's obviously excellent news that an agreement has been reached between the federal and Quebec governments. The amounts were much anticipated by the municipalities, and we hope they'll help us complete a lot of projects. It definitely proves that this is a successful collaboration.

We would note that, when programs are flexible and discussions between the two levels of government are effective, that has a direct impact on the communities we represent.

Ms. Rachel Bendayan: Thank you very much, Ms. Fournier.

You said in your statement that approximately 4,500 social housing units have to be built in Quebec every year. Is that the desired number per year?

Ms. Catherine Fournier: Absolutely, it's per year.

Ms. Rachel Bendayan: Last Friday, the minister responsible for Habitation du Québec and I went to the CAP Saint-Barnabé centre, where we toured some new social housing units intended for homeless persons.

Do you know the number of social housing units or affordable units in Quebec?

Where do we stand?

Ms. Catherine Fournier: We would need 4,500 social housing units and 12,400 affordable units to meet the annual demand. That's the minimum. We would obviously like a large number of those units to be set aside for people emerging from homelessness or who are at risk of becoming homeless.

Ms. Rachel Bendayan: As regards land purchases, I understood that this request came from both the municipalities and the Quebec government. Our programs make it possible to buy land using federal government money.

Do you have any recommendations or comments regarding the way land purchases work?

Ms. Catherine Fournier: Would you please tell me which program you're referring to?

Ms. Rachel Bendayan: It's the accelerator program, I think, that enables land purchases.

• (1705)

Ms. Valérie Fortin (Policy adviser, Union des municipalités du Québec): I think you're referring to the housing accelerator fund, the HAF.

That fund applies somewhat differently in Quebec. An agreement was reached and our understanding is that it will operate differently in Quebec than it does in the other Canadian provinces.

Ms. Rachel Bendayan: That's exactly right.

Do you have any comments on that for the committee?

Ms. Catherine Fournier: As regards the agreement that was reached, I'd say that it's a good thing the federal government was open to establishing terms and conditions specific to Quebec. That's done in various agreements, and that was the case in the instance of this housing agreement. We understand that the HAF has specific criteria and offers various forms of assistance.

The terms and conditions applicable under the agreement haven't yet been made public, but fortunately we've known since October 13 that there's an agreement and that \$900 million will be transferred to Quebec.

We're waiting for an economic update from the Quebec government that should come tomorrow. I hope we get some good news about that agreement.

The specific terms and conditions regarding land purchases, for example, could be different in Quebec, as Ms. Fortin said. I think one of the municipalities' major priorities is to acquire additional funding to build social housing units. The terms and conditions of the agreement's implementation and allocation of the funding for the projects or land purchases will be determined more by the financial package for the projects.

Ms. Rachel Bendayan: Thank you very much.

[*English*]

The Chair: Thank you, Ms. Bendayan.

We're going to MP Ste-Marie, please.

[*Translation*]

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

I'm going to keep directing my questions to the mayor of Longueuil.

Ms. Fournier, from what I know about federal lands, they have to be sold at market value. What we're asking is that they be sold at a discount, or even given away, for the construction of social housing units. For example, there are lots of federal lands, even beautiful lands, in Longueuil. That might be a potential solution.

We also welcome the agreement between Ottawa and Quebec on the transfer of \$900 million. Like you, Madam Mayor, we're eager to see the terms and conditions. You noted in your statement that Quebec had received as much as 13% of funding under the national housing strategy, whereas it represents more than 20% of the population of Canada. We see, too, that it takes a long time for the announced funding to show up on the ground. That's a definite disadvantage given that there's considerable inflation in construction.

In the conclusion of your statement, you referred to the flexibility and agility of federal programs, how important it is that they align with Quebec's programs and the speed with which we agree with Quebec. Would you please discuss that at greater length?

To help you build social housing units, what can Ottawa do to accelerate the entire process and give Quebec its share?

Ms. Catherine Fournier: Thank you.

The federal and Quebec governments took a little time to agree on the \$900 million from the housing accelerator fund. The terms and conditions remain to be seen, but we're hearing good things and good news. So that's proof that we can be flexible on both sides and come to an agreement.

Here's another example. In my opening remarks, I discussed another program that has worked very well, the rapid housing initiative, the RHI. That initiative has produced tangible results for the municipalities. Thanks to it, we've managed to close the financial packages for many social housing projects in our cities. Unfortunately, no provision was made for the RHI in the last federal budget.

When the federal and Quebec governments come to an agreement and the program is effective, they should rely on that example and fund it so it continues to produce positive effects.

What's unfortunate is that they try instead to come up with new solutions or terminate the funding. However, the program works well and produces tangible results. It can succeed, but it has to be funded so that it meets the needs.

• (1710)

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Thank you, MP Ste-Marie.

MP Blaikie is next, please.

Mr. Daniel Blaikie: Thank you very much, Mr. Chair.

Ms. Toor, Scotiabank has published a report that says Canada's social housing stock is about 3.5% of Canada's entire housing stock and that we'd need to double it in order to meet the OECD average. When asked a question about these numbers in the House of Commons, the Conservative leader said Canadians don't want a "Soviet-style takeover of housing". I'm wondering if you agree with the Conservative leader that Scotiabank's proposal to double social housing amounts to a "Soviet-style takeover of housing" in Canada.

Ms. Jasmine Toor: I'd have to apologize. As a representative of a mortgage industry association, I don't think I'd be the best person to speak to non-market housing. Perhaps you may want to direct that question to one of the other witnesses.

Mr. Daniel Blaikie: I'm happy to have anyone take that question. Is there anyone who agrees that Scotiabank is advocating for a "Soviet-style takeover of housing" in Canada? I certainly have an opinion on the matter, but it seems to me not to be an apt description of Scotiabank's work on social housing. We'll maybe leave it at that for now.

[*Translation*]

According to another comment that the Conservative leader made, we should withdraw funding from municipalities that don't build enough housing in their community.

Do you think the municipalities wait until the federal government threatens to withdraw their funding before they do any real work on the housing issue?

If not, what kind of partnership with the federal government are you thinking of? And what federal government approach would have the best chance of actually resulting in the construction of housing units?

Ms. Catherine Fournier: As I mentioned, the cities certainly know they have a major responsibility to facilitate housing construction within their city limits. They are fully aware of that. A local government is directly in touch with the public. As a result of climate change, the housing issue is currently people's main concern. Cities have stepped up to find solutions, but that has to be done in collaboration with the other levels of government. The key word, I think, is "collaboration".

How can we achieve greater success together? How can we align our development policies and visions regarding infrastructure? It's one thing to say that municipalities must establish the conditions necessary to build more housing, but quite another then to have infrastructure that can accommodate the public's growing needs.

We obviously have to discuss all this together, as partners would do.

The Chair: Thank you, Mr. Blaikie.

[*English*]

MP Morantz.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Thank you, Mr. Chair.

Ms. Keesmaat, I have a question for you; I have so many questions for you. I'll start with the issue of density.

I think if you did a poll and asked people if they believe we should have more density in urban centres, you'd have an overwhelmingly positive response, but when somebody buys a 100-foot lot across the street from your house and wants to subdivide it into two 50-foot lots, all hell breaks loose, and I think that's the fundamental problem we have.

You touched on zoning being part of the solution to this problem, I'm wondering if you could—as briefly as you can, because my time is limited—talk about the types of zoning changes you think municipalities should be adopting that would make more development for housing as a right.

Ms. Jennifer Keesmaat: It's a really critical question.

The good news is that in many Canadian cities, we've already crossed the Rubicon in terms of recognizing that we need higher-density development. That is for two reasons. One is that newcomers are obviously priced out of housing, but it's also that people are seeing the next generation of Canadians being priced out of housing and are recognizing that we need a fundamentally different approach.

As-of-right zoning, which is being facilitated in some ways through the housing accelerator fund requirements and pressures from the Minister of Housing today, is having a profound impact on upending exclusionary zoning across Canada.

In Toronto we did this almost two years ago, but Calgary, Edmonton, Vancouver and some other smaller municipalities have already followed suit. They are now allowing up to four units on a single lot. I think we will see additional municipalities embrace that. That is a very incremental form of change.

We also really need to be building significant density around our transit infrastructure to ensure that new Canadians have the choice of getting where they need to go without a car.

• (1715)

Mr. Marty Morantz: Mike Moffatt recently co-authored a report with the Canadian Alliance to End Homelessness. I believe you know him, and you've written with him, as well.

I found that report very interesting. There were recommendations around tax changes. We haven't really talked much about it at this

table, but it seems to me that there could be significant changes to the Income Tax Act that could incentivize home building. There could be things like allowing a deferral of capital gains tax, for example, when the money is invested in new low-income housing, or an accelerated capital cost allowance for a similar type of purpose.

I remember, back in my early days practising law, there was a program called the multi-unit residential building program, which allowed people to deduct the capital cost allowance against soft costs and personal professional income. That program got hundreds of thousands of units built.

What do you think of those types of approaches in addition to the zoning change?

One of the witnesses said here recently that we need the Swiss army knife approach to getting over three million houses built in this country by 2030.

Would you agree that these types of tax changes would be helpful?

Ms. Jennifer Keesmaat: Absolutely.

I mentioned there are things we need to do with land, which is the zoning. There are things we need to do with design, building different types of housing, from secondary suites to six-storey buildings. There are also financial mechanisms that need to change. The model you referenced is the model that's used south of the border. Almost every single affordable housing unit built in America is built as a result of a very unique approach to tax incentives that results in the investment in affordable housing. These tax credits have fundamentally changed the delivery of affordable housing in America.

Mr. Marty Morantz: Mr. Butler, you have a very colourful Twitter feed. I love the tweet about the debt. It says:

This Is Such A Striking WTF Moment: DOUBLE The Debt Is Just Awful

You're commenting on another quote that's showing the federal government has actually doubled our federal debt of about \$600 billion in 2015 to about \$1.2 trillion.

Can you comment on your concerns about that?

Mr. Ron Butler: There was a comment earlier about getting back to 2% interest rates. The 2% interest rates are genuinely dangerous. They genuinely are. There is a reason prices expanded so rapidly in the decade of extremely low interest rates. The bottom line is.... People alluded to the idea of why we are investing so much money in real estate. If it's an 80% or 95% leveraged investment at a rate that's below inflation, you're going to have many participants, and that will drive up the price of houses.

That's my answer to that question.

The Chair: Thank you, MP Morantz.

We'll now go to MP Dzerowicz.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much, Mr. Chair.

I want to start off by saying a huge thanks to all the presenters. This is a very important discussion with lots of excellent recommendations and options for our committee to consider as we move forward.

I'm going to start with a question to Ms. Keesmaat.

Ms. Keesmaat, leaders like Maureen Fair, who runs West Neighbourhood House.... They are probably one of about six groups that have approached me over the last few years. They have land, they have capital, and they have drawings. They've done a lot of work and are trying to build affordable housing or housing for our most vulnerable.

You talked about the incentives not being there and said there's not enough money. I wonder if you could be more specific about what more we can do, whether at the federal, provincial or municipal level, to help support groups like West Neighbourhood House to get going on building on the land and using their capital.

● (1720)

Ms. Jennifer Keesmaat: Access to capital is really critical for the delivery of affordable housing specifically. The cost of capital can be the deterrent to being able to build that housing.

The RCFI program, which delivered a significant amount of rental housing specifically in the city of Toronto over the course of the past decade, has more recently been criticized, because it also delivered luxury rental housing. There was this assumption that any rental housing was affordable housing, which we all know in large metropolitan centres is not the case.

Ms. Julie Dzerowicz: I'm sorry. What is RCFI?

Ms. Jennifer Keesmaat: I apologize. It is the rental construction financing incentive, which essentially is a CMHC program that allows for interest-free borrowing for the construction costs of rental housing.

This was a way of getting around the challenge of borrowing for the construction period, which in a condo is less of a challenge, because the monies from the pre-sale are used to finance the construction. Of course, in rental housing, because you're not selling anything, you don't have those pre-construction monies.

The rental construction financing program, which is referred to as RCFI, has actually been the program that has incentivized the rental housing that you have seen built over the past decade. It's been a really critical and important program.

However, it now needs to be recalibrated to do two things. It needs to be recalibrated to respond to higher interest rates, because today it's not viable. Today the program doesn't work. It was designed in a low interest rate environment. It needs to be restructured. That's the first change.

The second change is that it can be redesigned, and it should be redesigned, to specifically incentivize affordable housing and to

link into municipal programs, like the one in the city of Toronto, where there are a series of incentives for building at 100% of AMR.

It depends on how that program is calibrated at CMHC. Essentially, just lowering the cost of borrowing for the construction period can, in turn, make projects like Maureen Fair's viable to build today.

Ms. Julie Dzerowicz: Thank you.

I'll turn my attention to Ms. Fair over at West Neighbourhood House. Thanks for your leadership and everything you do at West Neighbourhood House. Thanks so much for being here today.

You mentioned some of the challenges you were having. You also mentioned some of the good programs that our federal government has, including the rapid housing project.

One of the other programs we have implemented is Reaching Home, Canada's homelessness strategy. We implemented over \$290 million to tackle homelessness, specifically in Toronto. I know we have a lot more to do. We have way too many homeless still.

Do you have any thoughts about the roles that the federal, provincial and municipal governments need to play, moving forward, to end chronic homelessness once and for all?

Ms. Maureen Fair: That's a fairly difficult question, Julie.

The housing benefit could really use some rework and redesign. In addition to building affordable housing, portable housing benefits can be very useful to stack on affordability as people need it, because presumably and hopefully many people don't need the full deeply affordable housing all the time.

The housing benefit really did need to be redesigned. It had some things in it, like you had to disclose your income and income source to your landlord. That's a privacy violation, and it leads to all sorts of perverse consequences. There are a number of things in there that could be done. Not enough of the housing benefit funding was allocated.

Those are the kinds of things that can get people off the street into some housing. Then, as they progress, get more stable in their lives and get the care they might need for their mental health issues and substance use issues—although not all homeless have that—they maybe won't need those deeper subsidies, which can then be used for other people.

There is a role for portable housing benefits. That's probably what I would answer to that.

Ms. Julie Dzerowicz: Thank you so much.

I think that's my time.

The Chair: Thank you, MP Dzerowicz. That is your time.

We are at our third round, members. It's going to have to be a bit of a truncated round, so I am going to cut people short if I need to, but we've had these excellent expert witnesses with us, with terrific recommendations, so we want to continue.

I have MP Chambers for the first five minutes.

● (1725)

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

Ms. Keesmaat, you've mentioned the GST rebate as something that moves the needle. What about the development charges that we've seen continuing to go up significantly? I note that in Toronto, as an example, just before the last municipal election, development charges increased, in some cases, by almost 100% per unit. All of those costs need to be financed and eventually passed on.

What should the federal government do? How should it work with municipalities so that if the federal government gives a tax break, it's not just eaten up by another level of government?

Ms. Jennifer Keesmaat: I think you raise a critical catch-22. Part of this has to do with the desire by most municipalities to minimize their own tax increases, and as a result, one of the easy ways they've been able to pay for infrastructure without anyone really noticing is by increasing development charges on new projects and using those development charges to subsidize the building of infrastructure: ensuring the toilets will flush, ensuring the water will come out of the taps when you build the new building.

There has been, in many municipalities across Canada, an approach to infrastructure whereby new development both pays for itself but also subsidizes the existing tax base and existing infrastructure. For example, in the city of Toronto, 50% of the development charge goes to the new development, and 50% of that development charge gets spread across the city.

I used to say, when I was chief planner, that every time we build a condo in downtown Toronto, Scarborough gets a new road paved, or they get a new park, because that's the gift that new homeowner gives.

We need a new model for funding infrastructure if we want to address the development charge problem, because right now, development charges have been used as a way to fund infrastructure in the absence of having a larger strategy for funding infrastructure, and in the absence of municipalities having the guts to raise property taxes, which would be the other way to do it.

Mr. Adam Chambers: Thank you very much.

Would you also suggest that, for example, in the city of Toronto, the double land transfer tax acts in the same cross-subsidization way?

Ms. Jennifer Keesmaat: It does, and it also has an unintended consequence of maintaining people in too much housing. Because of the land transfer tax, households who previously would have downsized—because there are empty bedrooms, the kids have moved out—now have a disincentive to downsize because they're going to be taxed in doing so. The land transfer tax has also result-

ed in some wonky outcomes in terms of being able to ensure that families are living in homes that have been designed for families.

Mr. Adam Chambers: Thank you.

Just to summarize, new home purchasers—or any home purchasers, really, in particular in the city of Toronto—are subsidizing other infrastructure needs of the city than what you would think they're paying for when they purchase a new home, or have to pay double land transfer tax. Is that about right?

Ms. Jennifer Keesmaat: That is entirely correct.

Mr. Adam Chambers: Okay. Thank you very much.

Mr. Butler, FCAC, which is the Financial Consumer Agency of Canada, has asked banks to allow certain customers in some circumstances to extend amortization beyond what is normally allowed.

At the same time, OSFI is out banging the B-20 drum that you can't have amortization extensions, and that you must enforce B-20 guidelines on renewals, potentially not for insured mortgages but certainly for uninsured mortgages.

Do you get the sense that OSFI and FCAC are working against each other? What's your interpretation of what's happening at the regulatory level?

● (1730)

Mr. Ron Butler: The general appearance is that the agencies don't communicate.

The simplest reaction should be this: For people in genuine financial hardship.... We have this incredible acceleration of interest rates—the steepest and fastest in the history of this country. If they are in genuine trouble on their renewal and can't afford to make those payments—and that should be provable financial hardship—there's no reason not to extend to 30 years or even 35 years.

However, OSFI is also correct. The idea of infinitely extending amortization is a demand stimulus. There's no question about that. It needs to be handled in the correct way, but we also have to take the approach.... Some people had a 2.49% rate and now have a nearly 6% rate. That's a difficult problem.

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

The Chair: Thank you, MP Chambers.

MP Thompson, you have five minutes.

Ms. Joanne Thompson (St. John's East, Lib.): Thank you, Mr. Chair.

Welcome to all the witnesses. It's been an incredibly interesting afternoon.

I'd like to start with you, Ms. Keesmaat.

I'll speak about the importance of densification in addressing the housing crisis, but with the lens—we'll call it the values or philosophy—of your company. Obviously, it's affordable, sustainable, beautiful and connected to transit. My province, Newfoundland and Labrador, will often reference to that as “place” and how we live in a place—not just the smaller place where we reside but also the larger community. That obviously lends itself to well-being, a sense of connectivity and a sense of community.

I'm very interested. Could you link that to the need to look at density?

Ms. Jennifer Keesmaat: We're going through a fundamental shift in terms of how we pay for housing, think about housing and think about quality of life.

I'll give you a personal anecdote with respect to that.

I have a 23-year-old daughter. When we were presenting to the city our project in the north of the city, Tyndale Green—which has six-storey and eight-storey buildings in a walkable community with, at the centre of the development, an affordable day care, a new community centre, a café and food—my daughter, who grew up in a single-family home at Yonge and Eglinton, in the core of the city, texted me and said, “Mom, can I live there?”

I think this is very important, because it reflects two things.

It reflects how young people think differently about housing than we might have in the past. They want something different from what many of us may have thought about in the past in terms of housing, and they think differently from how many new immigrants thought about housing in the past: the Canadian dream of a single-family home. That has shifted significantly. Today, we know access to stable housing in an environment where people can be part of a community, and where the home can be affordable over time, is the key priority.

One of the ways we achieve that is by building higher-density communities focused not around the car but around community places, community spaces, high-quality public parks and, where possible, public transit and cycling infrastructure. We know there is an entire generation—and newcomers—who are very passionate about that part of the Canadian dream. One way we know this is by looking at home prices in communities that offer all those amenities. They are the highest. One of the fastest-growing areas in Canada is the 12 or 14 square kilometres of downtown Toronto where nearly 500,000 people live—in 14 square kilometres. Seventy-five per cent of the residents in that area do not own a car. They primarily walk or take transit to get to work.

Shifting our thinking about housing in a fundamentally different way, then designing and delivering that housing in a different way, is more affordable from the perspective of overall household costs, and it fits with our sustainability objectives as a country.

Ms. Joanne Thompson: Thank you. I appreciate that, because I think it's incredibly important as we move forward in understanding what our housing and communities need to look like.

I want to shift for a second to Ms. Fair.

It's a somewhat similar conversation—housing being very much on a continuum. Homelessness in its truest form is that moment of

not having a place to call home, but we also understand—I've worked in the sector, so I appreciate what you do—that it's more complicated than that. For some, it's about the availability of a unit. For others, it's much more complicated. They need levels of support to be able to sustain housing.

Could you speak about the role of your community centre, not-for-profits and community supports, with layers of government, to address the complexities of homelessness, so we understand the continuum of need and the need to have supports along that continuum?

● (1735)

Ms. Maureen Fair: Certainly.

The Chair: I apologize, but I do need a very short answer, please.

Thank you.

Ms. Maureen Fair: Yes. There's a need for additional supports, but I would say that income and affordable housing access will do a lot to reduce the needs.

The Chair: Thank you, MP Thompson.

I apologize for that, Ms. Fair.

Now we'll go over to MP Ste-Marie, please.

[*Translation*]

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

Madam Mayor, you mentioned how important it is to preserve the existing private and social housing stock. Consequently, you want the maintenance and renovation of that housing stock to be a government priority.

Would you please tell us more about that?

Ms. Catherine Fournier: Of course.

We're building more units, which is obviously necessary, but we're seeing that, for all kinds of reasons, we're still losing affordable units that are on the market. That's why we should establish acquisition funds that enable non-profit organizations, for example, to acquire units in order to remove them from the speculative market and ensure long-term affordability.

Various studies have shown that 20% of units should be removed from the private market in order to guarantee an affordability threshold. That's definitely a potential suggestion that the federal government might also consider. For example, British Columbia has established a \$500 million acquisition fund to take units off the market. I think the federal government may also have a role to play in that regard.

As for maintaining the existing rental stock, housing quality and cleanliness are also basic issues. We need funding that will meet needs so we can prevent the depreciation of our real estate assets. These investments are important. When housing is substandard and of poor quality, it obviously becomes an incentive for major renovations that will obviously have a significant impact on rents. Consequently, if existing rental housing is well maintained, we can preserve a supply of affordable housing.

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

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

Mr. Gabriel Ste-Marie: Am I to understand that I don't have time to ask another question?

[English]

The Chair: Yes. There is no more time.

[Translation]

Mr. Gabriel Ste-Marie: All right, thank you.

[English]

The Chair: Thank you.

We have MP Blaikie, please.

Mr. Daniel Blaikie: Thank you very much.

Ms. Farha from The Shift, we haven't talked yet today about a non-profit acquisition fund, but we have talked about the importance of access to capital. Of course, that's a big problem for non-profits.

I'm wondering if you could speak a bit to the question of what a non-profit acquisition fund could mean, both...well, I guess specifically for trying to arrest the loss of affordable and social housing.

Ms. Leilani Farha: Sure. Yes, an acquisition fund would be really important for non-profits in particular, especially those non-profits committed to providing actual affordable housing.

I just want to clarify what we're talking about here. There are about one million renter households in core housing need in this country. Their average earnings are about 25 grand a year: That means they can afford a rent, at 30% of their income, of approximately \$550 a month, so there's affordable and then there's "affordable". Non-profits have been playing that role. They cannot compete in this so-called market against the big buyers in this country.

There are conglomerates, big corporations, that have way more access to capital than do even smaller developers such as Ms. Keesmaat, for example. I'm sure she has come up against this, where it's difficult to compete against a big developer or a big real estate investment trust that has access to more capital.

Those acquisition funds and the right of first refusal for both city governments and not-for-profit corporations are super important and could lead to, yes, less loss of affordable housing, but also the creation of more affordable housing.

• (1740)

The Chair: Thank you, MP Blaikie.

Go ahead, MP Lawrence.

[Translation]

Mr. Philip Lawrence: Thank you.

My next one is for Ms. Fournier.

We've heard testimony in this committee to the effect that the Liberal government's deficit and carbon tax have caused interest rates to rise.

Would a reversal of those policies resulting in lower interest rates help us build more affordable housing?

Ms. Catherine Fournier: I repeat, as I said at the start of today's meeting, that the promoters we work with in our municipalities definitely tell us that it's all about the numbers.

Interest rates of course have a major impact on project viability. That's why we're requesting more flexibility in CMHC programs and greater predictability for promoters.

That would enable the federal government to take concrete action and the banks to play a bigger social role.

Mr. Philip Lawrence: Thank you for your answer.

[English]

My next questions will be general, and they'll be for Ms. Toor and Mr. Butler.

We, of course, are undertaking a study with respect to the housing market. You will have a particularly good insight, I would think, or a good sightline into what the housing market looks like right now.

I'll start with you, Ms. Toor, and then maybe go to you, Mr. Butler. Could you give me an overview of what you see in the housing market right now?

Ms. Jasmine Toor: The one thing we've... I speak to brokers like Mr. Butler every day—they are our members—and Canadians have shown a tremendous amount of resilience in the face of higher interest rates. Now, will that resilience continue? We see precursors to higher default rates, which are the defaults we've seen in auto and credit card debt. They have also increased, and we're starting to see the defaults rise. That is a growing concern.

Certainly, consumers who are coming up for renewal in the next three years... I believe 75% of consumers will come up for renewal, and they may have had a rate of 2%. Currently, my interest is 1.69%, so I am one of those consumers. When we experience a rate increase, my husband and I will experience some sticker shock.

Those are two very large concerns.

The other concern is that despite the decrease in housing prices, we actually haven't seen many first-time homebuyers access the market. That, to me, indicates there's a problem with down payments. Saving for a 20% down payment in the greater Toronto or greater Vancouver area is near impossible on a single person's income, which is why we need to have incentives in place that will help first-time homebuyers access the market.

Mr. Philip Lawrence: Mr. Butler, it's over to you.

Mr. Ron Butler: Ultimately, I just hope we don't repeat mistakes we made in the past. Ultralow interest rates and stimulus in the demand side create astronomically high price increases. It's not in every part of Canada, certainly, but in parts of Ontario and British Columbia we saw at some points that prices were rising 2% a month, which is something we must guard against in the future.

That's something we can't let happen again, because it's harmful to everyone, particularly the people who bought at those particularly high prices.

• (1745)

The Chair: Thank you, MP Lawrence.

MP Baker, you'll be our final questioner.

Mr. Yvan Baker: Thanks very much, Chair.

As some of you may have heard at the tail end of question period, my dad's visiting the proceedings in the House today for the first time. He's here with us today in the committee hearing, so, welcome, Dad.

Some hon. members: Hear, hear!

Mr. Yvan Baker: Thank you for that warm welcome, folks. I really appreciate that.

Dad, they always applaud this way when I speak.

Voices: Oh, oh!

Mr. Yvan Baker: As you all know, I represent a community called Etobicoke Centre. We have a relatively small francophone community, but when I was a kid, my parents insisted I learn French, and both my mom and my dad worked very hard to make sure that happened.

Both because I have a question for Madame Fournier and because I want to show my dad that his efforts paid off, I will ask a question in French.

[*Translation*]

Ms. Fournier, you discussed the rapid housing initiative, the RHI.

What impact is that program having, and what changes are you asking the government to make to it in the next budget?

Please answer me in two minutes because my time is limited.

Ms. Catherine Fournier: Thank you. Your French is excellent.

The RHI is really having a positive impact in helping developers close their financial packages for many social housing projects. I've seen proof of that in my municipality.

In Longueuil, we have the Un toit pour tous project, which will provide 30 units for persons who are at risk of becoming homeless and others who are transitioning out of homelessness. Ground will be broken on that project in the spring thanks to the RHI. At a time when we're unfortunately seeing exploding homelessness in Quebec, these kinds of projects will definitely provide a genuine response. As we all know, housing is the best response to homelessness.

When we see how urgent the needs are, the fact that we have a fast and effective federal program that's producing results in our communities makes all the difference. That's why we were really disappointed to see that no provision was made for the RHI in the last federal budget. We repeat that this program is extremely important, and we hope it will appear in this fall's economic update or at least in the next budget. That will help us launch new rounds of calls for projects under the RHI.

When a program works, you have to say so and you have to applaud it. That's what we're doing, and we hope it will be sufficiently funded.

Mr. Yvan Baker: Thank you for your answer and for explaining how important this program is for people. The request you're making to the government is clear.

[*English*]

Mr. Chair, I'd like to give the rest of my time to PS Bendayan, if I may.

[*Translation*]

Ms. Rachel Bendayan: Your French is excellent, sir.

Thank you for your answer, Ms. Fournier.

I want to take this opportunity to thank the witnesses.

I'll try to be brief.

[*English*]

Mr. Chair, I'd like to move the motion that I put on notice last Thursday:

That the chair of the committee immediately report to the House that the committee:

- (1) Celebrates the Canada Pension Plan as the foundation of a secure and dignified retirement for tens of millions of Canadians and a pillar of Canada's economy;
- (2) Recognizes the important contribution of the Quebec Pension Plan, which was established independently at the same time as the Canada Pension Plan; and
- (3) Stands with the majority of Albertans who are opposed to Premier Danielle Smith's dangerous plan to withdraw from the Canada Pension Plan, which threatens the pensions of millions of seniors and hard-working Canadians from coast to coast.

Mr. Chair, in the interests of time, I would like to hear from colleagues and move to a vote as quickly as possible.

The Chair: Thank you, PS Bendayan.

MP Chambers, go ahead.

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

To break the suspense, we won't be having a vote on this motion tonight, but we can chat all night if we'd like.

Obviously, Conservatives can't support the last tenet of the motion. Conservatives are on the record saying that the CPP should be there for all Canadians—except in Quebec, which has its own pension plan and does things just fine. The CPP should be protected for Albertans and Canadians. As a member of Parliament from Ontario, I think that if you were to look at the methodology used for costing, it's obvious that some people would have questions about that.

That's obviously something that should be looked into further, but Conservatives will absolutely not support the motion as it is currently written. There are plenty of other ways in which the government can use this issue to make political statements. We won't allow it to make it to the House in this form. If they want to offer some potential amendments, we would take them under consideration, but certainly, my colleagues and I would be well placed here this evening to talk for as long as we have resources, but I would hope that we would consider allowing our witnesses to go. I think we're about two minutes away from the end of the meeting.

With that, Mr. Chair, I'll move to adjourn.

• (1750)

The Chair: Are you moving adjournment of the debate or the meeting?

Mr. Adam Chambers: I'm moving adjournment of the debate on the motion.

(Motion negatived: nays 6; yeas 5)

The Chair: The debate will continue.

[*Translation*]

Ms. Rachel Bendayan: I have a point of order, Mr. Chair.

Given what my colleague said, could we thank the witnesses for their testimony and invite them to leave the room so they don't feel obliged to stay here until the end of our meeting?

[*English*]

The Chair: Yes. Let's do that.

Thank you to our expert witnesses. Thank you for your testimony, for the many questions you've answered and for your recommendations. We thank you for informing our study on housing here in Canada. We really appreciate your time.

At this time, you may go. On behalf of the committee, thank you.

I have MP Lawrence and then PS Bendayan.

[*Translation*]

Mr. Gabriel Ste-Marie: Mr. Chair, I have my hand up too.

[*English*]

The Chair: I have MP Ste-Marie after that.

Mr. Philip Lawrence: Thank you, Mr. Chair.

After eight years of this NDP-Liberal government, it's quite clear that times are tougher than ever for Canadians. Challenges are starting to occur, even the fraying of our national unity. It seems like ev-

ery time there's a Trudeau in power, a unity crisis follows. Perhaps that is not a coincidence. Whether it be energy policies of the past or future, it seems as though this government, this Liberal-NDP government, is intent on creating division across our unity, whether that be across socio-economic classes or across regions. Never has that been more clear than in their exemption with respect to the carbon tax.

Of course, Mr. Chair, we heard in this very committee of the inflationary impact. What really bothered me, because I hold members of this committee particularly in high regard, was the demagoguery in the House of Commons. Everybody heard the testimony here of the Governor of the Bank of Canada, Mr. Macklem, that the carbon tax was responsible for 0.6%. That equates to 16% of inflation, yet I heard, in the House of Commons, members of this committee saying "0.15%". That was just untrue. It was factually untrue. Then, when I tried to offer evidence on a point of order, unfortunately the Liberals objected to this. It's as if they're allergic to the truth.

When we look at the impact of the carbon tax on Canadians, it's crushing. To his credit, the Prime Minister seemed to get this message, to an extent, but only for Atlantic Canadians. While that will provide some economic relief to our friends in Atlantic Canada....

Quite frankly, I give our Conservative members in Atlantic Canada—Rob Moore and Dr. Ellis among others, and of course Rick Perkins has appeared at this committee—a lot of credit for pushing those Atlantic members hard and raising the issue to the point where the Atlantic members, I can only assume, were in full revolt to remove the carbon tax on home heating fuel.

Of course, you also hear the demagoguery that, no, this is a Canada-wide project. It is, but it's effectively only Atlantic Canada, because disproportionately, in fact greatly disproportionately, the exemption on home heating oil affects Atlantic Canada. That's just a fact.

The demagoguery on the other side—

• (1755)

Ms. Rachel Bendayan: I have a point of order, Mr. Chair. We've been listening to a speech on carbon pricing for some time now. I would just like to remind all members that we're talking about the Canada pension plan. In my motion there's no mention of carbon pricing.

The Chair: Yes.

PS Bendayan's motion is what you're speaking to, please. It's the CPP.

Mr. Philip Lawrence: Yes. I will use the fullness of time, as the rules allow and as is my right as a parliamentarian.

We know that Liberals, through Bill C-18, otherwise like to silence opposition, but I won't be silenced, because I don't just represent myself; I represent the people of Northumberland—Peterborough South. They duly elected me and they won't be silenced, so I will continue, Mr. Chair.

I was talking about the impact of the carbon tax. To relate it back—out of respect—to where I'm going to end up, national unity issues flare up because of this Liberal government, and because of issues of Liberal governments in the past. We were talking about the carbon tax and the impact of the exemption on national unity.

Mr. Chair, I have two children, and I love them absolutely equally. If I were to say to them that one child gets treatment over the other, I'd almost certainly be causing disunity and discord in my family. It's really that simple. You can't make a deal with one province and then not make it with the rest of the provinces.

This has thrown our entire country into carbon tax chaos. It's pitting brother against brother and sister against sister. This is incredibly reckless and definitely not worth the risk.

We see the exemption.... I see the demagoguery that goes on in the House of Commons. They say that this is a national program. Maybe legally it is, but effectively it disproportionately helps the folks out in Atlantic Canada, because they use oil.

One thing that's really been bothering me is that the Minister of Environment will get up there and say that they're doing this because home heating oil is really expensive. Okay. The whole idea behind the carbon tax is to create an impetus for people to switch to other products or other solutions because it is really expensive.

When we look at home heating oil costing folks in Atlantic Canada tens of thousands of dollars, that's mission accomplished. That's what you guys set out to do. That's the goal of the carbon tax. It's to make things more expensive.

That's why you put in place a carbon tax. It's to make things more expensive. That's why it exists. That's the market mechanism.

When the Minister of Environment gets up there and is shocked that—

Ms. Rachel Bendayan: I have a point of order, Mr. Chair.

Now we're talking about the Minister of Environment as we continue to talk about carbon pricing on a motion that deals with the Canada pension plan.

The Chair: I do call the member's attention back to the motion. The motion is on the CPP.

MP Lawrence, please speak to the CPP.

Mr. Philip Lawrence: As I said, I will talk about unity, and I will talk.... I'm given parliamentary privilege on behalf of the people of Northumberland—Peterborough South, who voted for me, not you, Mr. Chair, and not the members of the Liberal party. In fact, I replaced a Liberal member because they were sick and tired of this government. We will continue to talk about the impact of the carbon tax.

I know that Liberal members don't want to talk about the impact of the carbon tax, but fortunately, through the incredible democracy that Canada still possesses, I have the right to talk. Therefore, I will continue to use my parliamentary privilege to talk about the national unity crisis caused by this government and about the impact of the carbon tax.

As I was saying, the carbon tax exemption applies to only 3% of Canadians. We heard from the Governor of the Bank of Canada that fully 16% of inflation—or one-third of the inflation over the target—is directly attributable to the carbon tax.

We have a government that's acknowledged that the carbon tax is driving up the cost of living and that it's not the most effective way to reduce emissions. In fact, for Atlantic Canada, the government has done a reversal and said that we need to invest in technology, not taxes. Well, who else said that? Oh, I think that was the leader of the official opposition.

The government has said that we need to invest in heat pumps, which are a form of technology. We need to remove the carbon tax. We need to remove the carbon tax in order to allow people to make the investments that they need to in order to be cleaner and to reduce emissions.

I believe in the Canadian people, and I believe that when they're given the capital they need to make the right decisions and are not put under the gun of an affordability crisis, they will invest in the technology and make the investments that they need to in their houses and in their cars and otherwise to improve the level of emissions.

Do you know who else agrees with me? It's the Prime Minister of Canada, because he just said that. He said that we need to remove the carbon tax on Atlantic Canadians so that they can invest in technology. Once again, that sounds really familiar—

● (1800)

Ms. Rachel Bendayan: I have a point of order, Mr. Chair.

I do apologize for interrupting my colleague—and, of course, he must represent his constituents, as we all must—but the subject matter is the Canada pension plan. Those words still have not come out of the member's mouth, which is fine, but he has an obligation to be relevant and to be on topic.

The Chair: Thank you, PS Bendayan. I will hold the member to that.

Member, be relevant to what we are discussing. We are discussing PS Bendayan's motion on the CPP.

Mr. Philip Lawrence: Thank you very much, Mr. Chair.

I have heard hours and hours of Liberal members talking about everything but a motion, so with all respect to that member, I believe that I am given a wide latitude to discuss things that I find relate to the motion. I find that the carbon tax is extremely disruptive to national unity, so we'll continue to discuss that because I believe the two topics are intertwined.

The Chair: MP Lawrence, I'm going to interject here. If you want to bring up whatever you want bring up, make sure that it is intertwined with the CPP, with the motion that is before us, please.

Mr. Philip Lawrence: I will. Yes.

The CPP, as our leader has said, is an important pension and supporter of Canadians from coast to coast, with the exception of Quebec, which is doing just fine with its own pension plan. What will happen, though, is that if, in fact, we continue to go along this line of disunity by providing certain provinces with certain....

I have an echo here. I apologize, sir. Can we maybe not have the Liberal whip staff echoing everything that I'm saying?

The Chair: Don't go after staff.

Mr. Philip Lawrence: I'm not going after staff, but the echo is frustrating. I didn't insult him, nor would I. He's a great guy. I've talked to him before. I enjoy him. I just cannot concentrate with it echoing.

Thank you very much. I would never go after staff. They work extremely hard. In fact, I could maybe talk about that for a while.

• (1805)

The Chair: You could, as long as it's relevant.

Mr. Philip Lawrence: It will be, because they pay the carbon tax as well.

However, in the spirit of collegiality, I would move to adjourn the meeting.

The Chair: Is it agreed?

(Motion agreed to: yeas 6; nays 5)

The Chair: The meeting is adjourned.

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