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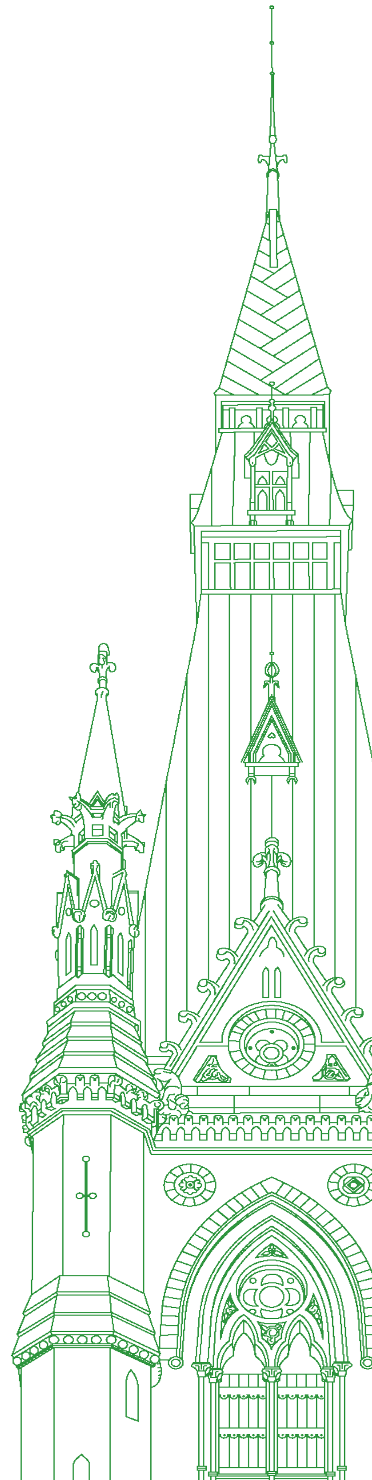

Chair: Mr. Robert Morrissey

Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities

Tuesday, June 6, 2023

● (1530)

[*English*]

The Chair (Mr. Robert Morrissey (Egmont, Lib.)): Committee members, the clerk has advised me that we have a quorum and that those appearing virtually have been tested for sound quality, so I call this meeting to order.

Welcome to meeting number 72 of the House of Commons Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities.

Today's meeting is taking place in a hybrid format, pursuant to the House order of June 23, 2022. Members are attending in person in the room and virtually using Zoom. To ensure an orderly meeting, I would like to advise you to please wait until I recognize you by name before speaking. For those appearing virtually, please use the “raise hand” icon at the bottom of your screen. As well, you have the option of choosing to speak in the official language of your choice. If interpretation is interrupted, please get my attention. We will suspend while that is being corrected.

As well, please remember that no screenshots of today's meeting shall be taken while it is in progress.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, October 17, 2022, the committee will resume its study on the financialization of housing.

Again, for the witnesses appearing virtually, sound quality has been checked and we're okay to go.

I would like to welcome our witnesses to begin our discussion with five minutes of opening remarks, followed by questions. I would ask witnesses to please stay as close to the five minutes as possible.

Appearing in the first hour is Christian Szpilfogel, chief investment officer at Aliferous; Ray Sullivan, executive director, Canadian Housing and Renewal Association; and Michael Brooks, chief executive officer, Real Property Association of Canada.

We will begin with Mr. Sullivan for five minutes, please.

Mr. Ray Sullivan (Executive Director, Canadian Housing and Renewal Association): Thank you very much, Chair Morrissey. Hello, *bonjour*, *kwe*, to everyone listening and attending.

The Canadian Housing and Renewal Association is the national membership-based association representing non-profit and affordable housing. My name is Ray Sullivan. I'm the executive director. Our members are non-profit and co-op housing providers, advocacy organizations, rental associations and provincial and municipal governments. We're trying to provoke system-wide action toward the right to housing by all, and our members have the expertise to get that done.

I want to focus my comments on one important solution that will blunt the impacts of financialized rental markets, and that is supporting non-profits and co-operatives in purchasing existing rental properties, preserving affordable rents and protecting those homes. As I build to that, there are two key things that I want us to be very aware of.

The first is that there is one single interconnected housing market. Whether it's new ownership, the resale market, high-end rentals, older affordable market rentals or for-profit rooming houses, they're all part of the same housing market. What happens to one link in that chain rattles all of the other links too. For low- and modest-income people, who are the most economically vulnerable, if that chain rattles enough, they find themselves without a home at all, or paying more than half of their income on rent every month and at risk of losing their home.

The second thing I want us to be aware of is that there's a business model at play here that is causing significant harm. I want to break that down a little bit further.

First, rental properties are value-based on their cash flow. This is different from purchasing your own home. Picture two identical small apartment buildings side by side. They're identical in every single way except that one of them has higher rents, probably because most of its tenants are new, and one of them has lower rents, probably because most of its tenants have been there for a long time. The property that has higher rents, which generates a higher net rental income, is worth more on the market than the one with lower rents, even though they're otherwise identical.

It's not that complicated. If you're buying your rental property, you want to look for something with low rents—rents below full market value—because that gives you the greatest capacity to raise the rental income and thereby raise the value of your real estate asset. You can sell that asset for much more than you paid for it. It's simple enough.

Now, markets adapt quickly. The rental real estate market knows that those properties with lower rents often mean longer-standing tenants. Those units can be flipped over and rental income can be increased. What happens is that the market values the property based on the potential rents, the inflated rents, rather than the actual rents. This is a cycle that inflates property values, and that impacts the whole housing market.

What does this mean for the people living there? It means that if you've been living there for a long time, paying a more modest rent, you're a problem for that new property owner. You're getting in the way of the owner growing their asset value or generating the rental income to justify what they just paid for. When I think of this, I think of my grandmother, who rented the same apartment in Montreal with her sisters for about 40 years. Here we have, increasingly, a business model in rental housing that wants grandma out of there. This is the cycle that sees grandma's affordable rent as an obstacle.

The things that we need more of, housing security and stability and affordable market rents, are put at risk by this business model. We see this clearly in any examination of the affordable housing crisis. There's a massive loss of homes that rent at levels that are affordable to moderate-income and low-income households.

There's a spike in average rents, in fact, with year-over-year increases in available rents in the double digits right across the country, which are far outstripping the growth in incomes. This is leading to a much higher level of housing precarity and homelessness, and it's an obstacle to households entering the ownership market. It puts our immigration targets at risk. It harms our economy and our productivity. This is the cycle that is fuelled by financialization.

How do we interrupt the cycle of financialization? Relative to other OECD countries, Canada has a very small supply of non-profit and co-op housing. Thirty years ago, community housing represented 6% or 7% of the overall housing supply. Today, it represents half of that, about 3% or 4%.

Of course, when we're talking about community housing, the objective and mission of these organizations is not to increase the market value of their assets. It's to provide secure affordable housing. The purpose is to make sure that grandma and her sisters have a stable affordable home for as long as they want it.

● (1535)

A good supply of community housing stabilizes the rental market and ensures a supply of rental housing that is affordable to people with low and middle incomes. Let's talk about moving rental housing properties from column A to column B—from a business model where grandma's affordable rent is a problem to the one where grandma's affordable rent is the very purpose and objective of what we're trying to achieve.

Supporting non-profits and co-operatives to purchase existing rental properties and preserve modest rents is definancialization at work. This isn't a new thing.

● (1540)

The Chair: Could you come to a conclusion, please?

Mr. Ray Sullivan: I'm wrapping up very quickly.

Decades ago, government community housing programs supported organizations to purchase existing rental properties and operate them as community housing. The national housing strategy includes no such program, and we have an opportunity to fix that. It's faster, brings fewer risks and costs less than new construction.

Don't get me wrong: We need to do both, but I'm calling on the federal government to work with the community housing sector to create an acquisition and preservation strategy for existing low-end-of-market rental housing properties.

Thank you very much.

The Chair: Thank you, Mr. Sullivan.

We'll now go to Mr. Szpilfogel for five minutes.

Mr. Christian Szpilfogel (Chief Investment Officer, Aliferous): Good afternoon.

I'm a director of the Eastern Ontario Landlord Organization, or EOLO, which was founded in 1990. EOLO represents rental housing providers of all sizes that, together, own and operate more than 40,000 rental units in the city of Ottawa.

EOLO is a member of the Canadian Federation of Apartment Associations, or CFAA. I understand that John Dickie, the president of CFAA, will be speaking on the next witness panel. Mr. Dickie provided me a copy of the CFAA's brief, which was made jointly with the Federation of Rental-housing Providers of Ontario, or FRPO.

I'm also the vice-president of the Ottawa Real Estate Investors Organization, or OREIO, which was established in 2002. It consists of small-scale real estate investors and people who provide expertise and services to them.

Both from both my own rental holdings and small developments, and from OREIO colleagues, I'm familiar with the issues facing small-scale landlords and developers. I, and many of my colleagues, develop and operate rental housing through small corporations, which is very common, even for relatively small investors and rental housing providers.

I agree with CFAA that the reason market rents are rising is that supply has lagged behind the growth in the population and in rental demand. That is largely because of excessive government charges and taxes that raise the cost of new housing development and also because of delays in approving new construction. I have experienced that myself in a number of developments, as have my colleagues.

CMHC recently estimated that Canada needs to increase the total housing supply by 3.5 million dwellings by 2030. That would be twice the recent annual new supply. That strongly suggests that small investors, REITs and corporations of all sizes should be encouraged to provide more rental housing rather than facing more or higher taxes and restrictions, which tend to discourage entry into any market and thus tend to decrease the amount of rental housing supply from what it would be under the current rules.

The size and sophistication of rental housing providers varies greatly, but virtually all private rental housing providers want to earn a reasonable net income and raise the value of their buildings. We do that by providing good value for money and efficiently managing costs.

Rental housing providers of all sizes seek to operate buildings at the optimum level of service and cost. That includes improving rental buildings to meet higher environmental and accessibility standards, and modernizing units when renters' demand for modernized units makes that productive.

If tax rules or CMHC mortgage rules are changed against rental developers, I would expect a flight of capital, both among large developers and small. I already see small-scale Canadian investors who used to develop in Canada now investing in American states that are more development friendly. They look for locations with growing rental demand, fast approvals, modest government charges and no rent control. In fact, there has already been a significant increase in the demand by Canadian investors for education on investing in U.S. real estate.

Regulating against financialization and seeking to limit REITs and other for-profit rental housing providers would be counterproductive. It would reduce investment in building new rental housing and in modernizing aging rental stock. In a very short time, such restrictions would reduce rental supply and rental availability and drive up market rents. Indeed, we have seen this in the past.

I urge you to recommend against restrictions on REITs or corporations, big and small, and against new tax rules seeking to influence behaviour, especially in areas of provincial jurisdiction like rental laws.

Thank you.

● (1545)

The Chair: Thank you, Mr. Szpilfogel.

Mr. Brooks, you have five minutes.

Mr. Michael Brooks (Chief Executive Officer, Real Property Association of Canada): Thank you, Mr. Chair.

My name is Michael Brooks and I'm the chief executive of REALPAC. I'm a career lawyer, having spent 30-plus years doing real estate transactions with a private firm and 26 years running REALPAC.

REALPAC is a 53-year-old national trade association, representing institutional and public real estate companies from coast to coast in all asset classes and vehicle types, including pension funds, public and private corporations, trusts, commercial real estate funds and REITs. I'm with you today, obviously, to talk about purpose-built rentals and financialization for housing.

The economics of our sector continue to change every day. Nearly a third of households in Canada live in purpose-built rental accommodation. Higher housing prices alongside a growing young demographic and increased immigration—it was apparently 1.1 million people in 2022 and 2.7% of our population, the highest since 1957—have led to strong demand for rental accommodation in recent years, after a low in August 2020. In August 2020, the students were not here and our members were giving rent subsidies to fill their buildings up.

With rising costs to build and rapidly rising interest rates that are nearly doubling—or even tripling—the financing costs of new projects, the new purpose-built supply is rapidly diminishing and will likely continue to do so. In places like Toronto, the cost to build apartments is approaching $800 a square foot and, to build condos, north of $1,200 a square foot. In both of those cases, given higher interest rates, most new developments don't pencil out.

Up to 30% of the cost of a new unit is from government fees, charges and taxes, including federal GST on the value of the building as soon as construction is completed. Meanwhile, higher operating costs, including much higher interest rates; spikes in construction costs and natural gas prices; increased taxes, fees and charges; and increased wages are putting pressure on owner operating costs. This puts upward pressure on rents, even before one talks about repairing, maintaining and upgrading old buildings to meet modern standards, fire codes and building codes, including, potentially, air-conditioning and decarbonization requirements.

We know Canada needs 3.5 million additional housing units by 2030 to restore affordability, according to CMHC. However, it sometimes takes up to five years to get housing approved in many cities in Canada. As many new projects are potentially shelved, this will be a challenging target.

Our sector requires capital to build and repair housing. These funds require a return on investment. Whether it's new capital for renovation or to build another building, a return on investment is required. Heavily taxing those dollars is counterproductive.

The purpose-built rental market is indeed a capital-intensive business, and continuing to attract private sector capital will be critical. REALPAC supports the right to adequate housing and is prepared to have conversations with everyone, of every political stripe—including our not-for-profit colleagues—about how to move this ball forward and maintain a state of good repair. We believe good repair and professional management are the ways forward.

We have proposed four ideas in our submission.

Rental support programs are absolutely necessary at all three levels of government. We support those continuing and, indeed, being enhanced. It's better to upgrade an older building and support the tenants left behind than to not repair it at all.

We need to secure new construction through a sustainable and competitive funding model, like the U.S. low-income housing tax credit program. Canadianize it and bring it to Canada.

We are thinking internally about an industry code of conduct. How does REALPAC set a high bar for everyone in our industry? That's something we could work on together.

Finally, we think we need to establish an industry advisory council to work more collaboratively with everyone in the federal government about real solutions that are practical and will work.

With that, I would say the private sector has the speed, scale and scope to solve these supply problems. We're 96% of the market. We need to be at the table with you all.

Thank you.

● (1550)

The Chair: Thank you, Mr. Brooks.

Before we begin, I want to welcome to our committee MP Hanley, MP Tolmie and our guest, MP Morrice.

With that, we'll begin the first round of questioning with Mr. Aitchison for six minutes.

Mr. Scott Aitchison (Parry Sound—Muskoka, CPC): Thank you, Mr. Chair.

Thank you to all the panellists for being here.

I want to start with Mr. Brooks. In your brief, you spoke about how in Canada there are six publicly traded residential REITs and those account for about 6% of the Canadian rental world. After about 30 years of operation, that's what they amount to. This is about 3% of the primary and secondary market for all rental accommodation in Canada. There's been a lot of talk about REITs around here. They've been described as bad actors and that kind of thing.

I'm wondering if you could elaborate on that. Knowing full well that there are bad players in every industry, can you talk a little bit more about REITs and why they are actually an important part of this mix?

Mr. Michael Brooks: Thank you, through the chair, for the question, MP Aitchison.

REITs exist in 42 countries around the world and that number is growing. They're in every G7 country. They allow small investors to buy big-ticket real estate on the same basis that wealthy people can. It's the retail investor who is the winner in all of this. Many people invest in REITs for retirement income, for example. Big pension funds might invest in REITs because real estate is a good counterpoint to bonds and stocks. It's a good asset class, generally.

The REITs, I think, are among the best class of landlords in Canada. Why is that? They have access to capital. They can fix buildings up. They have tenant portals. They have professional management. They have reputations. They have ESG statements. They are amongst the best class of landlords in Canada. Australia is trying to attract a build-to-rent system. So is the U.K. The REITs are a very good example of a build-to-rent system in this country.

Mr. Scott Aitchison: Thank you.

Further to that, you note that the not-for-profit sector is another important part of this mix. You're not suggesting for one second that there's not a role for not-for-profits or co-ops and that kind of thing to be a part of solving this problem.

Mr. Michael Brooks: I absolutely agree with that. The private sector can build market housing. We can dip a little bit into the affordable or deeply affordable space if we can make the pro formas work, but we need everything below that on the income scale to be handled by government partners and not-for-profit partners. We're happy to work with Ray Sullivan and Tim Richter and others in this space. There's room for everybody in solving this problem.

Mr. Scott Aitchison: Thank you for that.

Turning to Mr. Szpilfogel now, I want to go back to something we heard from the recent national housing strategy report. On that, the chief economist from the CMHC said:

> The reality in Canada is that about 95% of the rental market is provided by the private sector, so financialization is something that exists by design in our rental market. In an environment of a growing population and more demand for more rental units, we need more financialization in order to get more supply to meet the needs of a growing population.

Financialization is a dirty word around here, apparently.

Could you speak about that a little bit? Do you agree with that statement? Would you elaborate on what he's saying there?

Mr. Christian Szpilfogel: I can't put words in his mouth, but what I see is that the private sector is absolutely key in terms of developing the scale we need. One of the pieces here, which Mr. Brooks just talked about, was the relative percentage of different categories of landlords. When we take a look at the total rental universe, which is roughly five million rental housing units, half of it is in the primary-market segment, as defined by CMHC, which is three units and up. Out of that, roughly half are provided by small landlords, small developers.

If we look at the secondary market, that's another two million. It's almost half, and that is predominantly from the small landlords, small investors. When we take a look at the overall market there, there are a lot of small players that could potentially be impacted by what is decided by the committee.

● (1555)

The Chair: Excuse me, but the bells are ringing in the House. I do need unanimous consent. They are 30-minute bells, as you can see. To continue, I'm under—

Some hon. members: Agreed.

The Chair: Okay. We will continue until.... What's the wish?

I was in a committee yesterday where all the members chose to vote from the committee room using the app. What's the wish of the committee?

Mrs. Tracy Gray (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

We do have a little bit of time, so we can probably finish off on this and get one more round in. Then we can enter the chamber.

The Chair: You want the committee to suspend—

Mrs. Tracy Gray: Yes, suspend so we can vote.

The Chair: —and come back. Okay. It can only move with unanimous consent.

We will continue then with Mr. Aitchison, and then we will go to Mr. Collins.

Go ahead, Ms. Ferrada.

Ms. Soraya Martinez Ferrada (Hochelaga, Lib.): Can we just agree on the time? Usually it's 10 minutes before. Is that good? That's what the committee usually did before. Ten minutes is enough time to cross the street.

Mrs. Tracy Gray: We could do 15. Ten minutes is very.... We're on the fourth floor on Wellington. It's not like we're in West Block. That's a little bit more reasonable. Fifteen minutes, I think, would be more reasonable.

The Chair: We will try to get in the first round then.

Mr. Aitchison, you have a minute and a half.

Mr. Scott Aitchison: Thanks very much.

I can be fairly quick with that, I think, Mr. Chair.

My next question is for Mr. Sullivan.

I know the two gentlemen speaking from the perspective of the private sector rental housing providers acknowledged the importance of the not-for-profit sector as well.

Given the scope and the scale of the crisis in housing in this country, do you believe that the private sector has an important role to play in solving this problem as well as the not-for-profit and public sector?

Mr. Ray Sullivan: Yes. Through the Chair, absolutely, there's a role for the private sector. What's important, as we talk about rapidly escalating housing starts and increasing the housing supply, is that we're very aware and mindful of the share of this that needs to be non-market and community housing.

We're not going to solve the housing crisis by adding five $5-million homes or five million $3,000 a month rents for one-bedroom apartments.

Mr. Scott Aitchison: Thanks.

Mr. Ray Sullivan: That's going to be out of reach for a significant number of Canadians.

Mr. Scott Aitchison: I'm sorry. I'm running out of time, but I really want to quickly ask you this. What do you think that the right mix should be? You mentioned that it used to be about 6%. Now it's about 3%.

What's your opinion? What is the right mix?

Mr. Ray Sullivan: I would agree with the report from Scotiabank that came out a couple of months ago saying that we need to double the relative share of non-profit housing. We need to get up into the range of 8% to 9%.

Mr. Scott Aitchison: Thanks. Can you—

The Chair: Thank you, Mr. Aitchison.

Now we'll go to Mr. Collins for six minutes, please.

Mr. Chad Collins (Hamilton East—Stoney Creek, Lib.): Thanks, Mr. Chair.

Thanks to the witnesses for their attendance here today virtually and in person.

I will start with Mr. Brooks.

Mr. Brooks, over the years as a city councillor, I had the opportunity to work with a REIT that purchased a number of properties in my municipality and specifically in my ward. After their purchase, I had the opportunity to work with the tenant associations who were interacting with the REIT.

I have to say that I could probably write a book on it, but I won't share all my experiences today, other than to say that I think most people opened their arms to the fact that there was going to be a massive investment in the renovation and repair of the five buildings in one townhouse complex that were purchased, but at the end of that 18-month renovation process, there came about the guideline increase, and then subsequent to that, there was an approval for a rent increase. What was at first celebrated as a great opportunity to improve the quality of life for residents was soon received as something different from that as it related to higher rents and the inability to pay for those AGIs that were approved over consecutive years.

As a legislator, I'm interested in certainly finding ways and means to support the private sector, which is very important as it relates to creating new supply and helping us with renovations and repairs. I'm interested in finding a way to encourage those renovations and repairs, as you highlighted your industry does, but I'm also interested in ensuring that, when that happens, those rents stay affordable.

Can you comment on that in terms of how to address that issue? It can be a very complicated one and a very important one for tenants who are living in a very affordable unit, only to find themselves in a unit a year later that is very much different, from a price point, from the one they were in prior to the arrival of the REIT.

● (1600)

Mr. Michael Brooks: Through the Chair, I think it's a very good question, a very good point, and it's probably something that a lot of owners struggle with.

There are only certain types of improvements to a building that are recoverable under an AGI, at least in Ontario. There is often a long amortization period for that expenditure. It's for mission-critical items only so, for many owners, it's trying to get the building up to a standard and perhaps reduce the repair and maintenance costs going forward in the near term, but you might leave some people behind.

This was my point about having a better system at all three levels of government for rental support programs for those in need. I think it's better to approach it that way than to prevent the AGIs, prevent the repairs and maintenance from happening at all. Many times this is a building-by-building assessment. It's hard to generalize.

Mr. Chad Collins: How do we leverage, then, your access to capital?

You've highlighted here today your ability to invest in properties. What I want to incentivize is the creation of new supply. I think your industry has recently pivoted from just-purchased existing stock to building new. I live in a place here in Ottawa that is a former hotel. That's a prime example—a great example—of a REIT purchasing something and creating new rental stock.

How do we incentivize the creation of new and, hopefully, affordable supply, while maybe looking at ways to disincentivize your purchase of existing stock, which has some of the complications I referenced earlier, as they relate to rising rents?

Mr. Michael Brooks: I would say, on the former, in terms of new supply.... I mentioned in my comments that many new projects—whether you're a for-profit or not-for-profit entity—don't pencil out, because interest rates and overall costs are higher.

We need a break somewhere in there—land costs for free, for example; municipalities rolling in land for free; lower interest rates; grant monies. I talked about this low-income housing tax credit being Canadianized, which applies to not-for-profits and for-profits. It's a very useful tool. It's been in place in the U.S. since 1986. On the supply side, we need a cost or two to be dropped, or perhaps some of that 30% in taxes to be reduced.

On the existing-building side—if I can finish—I don't think you should disincent that. I think we need to, perhaps through my code of conduct, find a way to upgrade that building and extend its useful life, while being aware of who is left behind and dealing with them humanely and fairly.

Mr. Chad Collins: Thanks for those answers.

Mr. Sullivan, can I ask you the same thing about the carrot-and-stick approach, as it relates to legislation or government investments that incentivize new supply and discourage the purchase of existing stock, which results in higher rents and relocated residents, because of renovictions or something similar to that?

Mr. Ray Sullivan: Thank you for the question.

I think this is something we need to keep an eye on when we're talking about this. This is where people live. This is the stability and foundation of their lives. We're talking about their homes.

The number of people being displaced through the rental market is extraordinary. A report came out from the University of British Columbia a couple of months ago showing that, across the country, about 65% of all evictions were so-called no-fault evictions—people who paid their rent, were good neighbours and didn't disturb the other neighbours in the building. They were getting evicted from their property. There are definitely cases where people are being removed from their homes so the landlord or owner can invest in the property and renovate. There are also cases where people are doing renovations so they can remove the tenants and increase the rent.

Make no mistake. Rents are set based on what the market will bear. It's not a set percentage above landlord costs. If the landlord can get a higher rent, they will. That's business and completely fair. What I'm saying is that we need to balance this with a healthy supply of community and non-profit housing for people who are vulnerable in that type of marketplace.

The Chair: Thank you, Mr. Collins.

I'm going to mention that we have resources to go to six o'clock. If it's okay, we'll go to Madam Chabot for her six minutes, then suspend for the vote and then resume with Madam Zarrillo.

Is that okay?

Some hon. members: Agreed.

The Chair: Madam Chabot, go ahead for six minutes.

● (1605)

[*Translation*]

Ms. Louise Chabot (Thérèse-De Blainville, BQ): Thank you, Mr. Chair.

I want to thank the witnesses for being here today.

Our study is very important. We are talking about the financialization of housing, and in particular, affordable housing. We know what the needs are, but we have trouble offering affordable housing for a variety of reasons.

The National Housing Strategy does however include various programs, as well as a public investment of roughly $80 billion. In our view, it is essential not only to create affordable housing, but to ensure that it is affordable in the long term.

Mr. Sullivan, thank you for your testimony.

You said that we have to focus on community housing. In your opinion, is the federal government doing enough for the construction of non-market affordable housing?

Mr. Ray Sullivan: Thank you for the question.

My apologies, but I will answer in English since I speak English better.

[*English*]

The federal government made a huge step with the national housing strategy five years ago. It was a welcome return to that space where the federal government was very active before, and it has had an impact. The challenge is that a lot has changed in the landscape in the past three years in particular with interest rates, with cost and with the general housing market. It's important to pivot and update those programs in the national housing strategy to fill in the gaps that weren't there five years ago.

As I've pointed out, acquisition of existing properties as a quick way to move things into a non-profit and affordable column from the private market and protect those tenancies would be one example.

[*Translation*]

Ms. Louise Chabot: In your opinion, should the National Housing Strategy allocate most of its funding to non-market affordable housing?

[*English*]

Mr. Ray Sullivan: Some of the greatest amounts of that $85 billion in the national housing strategy actually goes to the rental construction financing initiative, which is geared toward private sector new supply with modest levels of affordability. That's changing a little bit now.

We're actually seeing less funding available in recent years for non-profit and community housing supply, particularly as the costs—as Mr. Brooks and others have pointed out—have gone up for the non-profit sector just as much as they've gone up for the for-profit sectors. As the cost to borrow money in particular has gone up, the amount of grant money available to the national housing strategy has actually gone down in recent years. I think it's time to revisit that and to strengthen those programs.

[*Translation*]

Ms. Louise Chabot: You suggested that the budget include a program for the acquisition of affordable rental housing buildings.

How would such a program be beneficial?

How would it help develop the supply of affordable housing quickly, in parallel with private-sector housing?

[*English*]

Mr. Ray Sullivan: There are a great number of properties right now with tenants who are paying below-market rents in the private market. What we are seeing is that, when that owner sells and the property changes hands, those rents rise rapidly, often displacing the tenants who are there. This is a strategy to protect those tenancies and those homes—particularly people who have been in those homes for a long time—and to make sure that those rents don't rise anywhere near the same pace that they would in a private market.

We're asking for the government to invest in a fund and we know that there are other investments we can leverage from other sources to make the best use of that as well. This increases the supply of non-profit housing, protects those existing tenancies and also increases the capacity of the community housing sectors through growth.

[*Translation*]

Ms. Louise Chabot: That is certainly something we will have to consider if we focus on housing affordability. Housing costs should be viewed in the long term, which is not the case right now. Without setting that aside, we know the private sector is making a contribution.

What kind of turnaround would be needed?

We have heard that we should prevent financialization through the National Housing Strategy and that we should focus on off-market affordable housing instead.

In terms of affordable housing, what is the key to achieving that and reversing the trend?

● (1610)

[*English*]

Mr. Ray Sullivan: I think we need to be targeted toward affordability. There's no question that we need to rapidly increase the supply of all forms of housing. I think government does need to look at tax incentives and other marketplace incentives to increase the supply of rental housing.

I think there needs to be an exchange around affordability. You can look to older programs in the 1970s and 1980s, for example, that allowed for accelerated depreciation of capital assets in return for modest rents. They were very successful and a huge proportion of our rental supply comes from that era under those kinds of programs. I think we need to revisit that at the same time, and we need to have a full market response to this—the private and non-profit sector and every point on the income scale—to address the supply shortage and the affordability crisis.

[*Translation*]

The Chair: Thank you, Ms. Chabot.

[*English*]

We will now suspend.

For the benefit of the witnesses, we will resume 10 minutes following the announcement of the vote in the chamber. Until then, we'll suspend and we will resume at that timeline.

● (1610)

_____________________(Pause)_____________________

● (1645)

The Chair: The committee will resume its meeting.

I thank the witnesses for standing by while members had to conduct their duty, which was to vote.

We will now resume with Madam Zarrillo for six minutes.

Madam Zarrillo, you have the floor.

Ms. Bonita Zarrillo (Port Moody—Coquitlam, NDP): Thank you, Mr. Chair.

I appreciate the witnesses' patience with the vote.

I want to start my questioning with Mr. Sullivan.

Mr. Sullivan, I was a city councillor for about eight years. It was obvious that there was a gentrification going on, certainly in my riding of Port Moody—Coquitlam. We've just recently reported the third-highest rents in the country in my riding, and I can see it manifesting on the ground in communities as more and more people struggle to find homes.

My question to you is this: Why does Canada not have a healthy supply of stable rental tenure for people?

Mr. Ray Sullivan: It is very much a supply issue. Up until the mid-1990s, we invested in rental supply, generally with incentives for the private market, but as importantly, we invested in community non-profit and co-op housing. That investment curtailed drastically after the mid-1990s, so what we're seeing now is the impact of a failure to invest in those decades.

It has gotten better. We've recouped some of that ground in the past five years, especially under the national housing strategy, but a lot more needs to be done to get there. A lot of studies have shown that for every affordable rental home that gets built under national housing strategy programs, we're losing multiple homes—some say four times as many, and some say 10 times as many—in the private market that are renting at that “low end of the market” level. This is the kind of housing we need to preserve, and this is why an acquisition and preservation strategy is one good option to do some of that.

Ms. Bonita Zarrillo: Thank you very much.

When we talk about supply.... Unfortunately, I sat with a council that had a very high-level, macro view of supply and demand without really that finer point.

For the record, is there a serious lack of affordable housing supply and rental tenure in this country right now?

Mr. Ray Sullivan: Unquestionably.

Ms. Bonita Zarrillo: Is that due to a lack of investment over 10 years, 20 years, 30 years, 40 years or all of it?

Mr. Ray Sullivan: It's about the last 30 years. It's great to see a lot of focus being paid to reinvesting in the supply of housing, especially rental housing and especially non-market and affordable rental housing. CMHC did come out with a study—I think it was just over a year ago—saying that we need to increase the pace of new home construction by over three million units to catch up and balance that market. It's coming up with a follow-up study to break that down by income groups. I think we need to target and keep our eye on affordability as we're trying to solve an affordability problem. We need supply, but we need to target the supply that is going to make the biggest impact, and that's the supply that's accessible to people with middle and more modest incomes, which is difficult for the private market to produce on its own.

● (1650)

Ms. Bonita Zarrillo: That was one of my questions here: How does the market create affordable, secure rental tenure for low-income and middle-income Canadians without government support?

Mr. Ray Sullivan: Mr. Brooks and the witness from EOLO talked about housing allowances and rental subsidies. That's definitely a part of it. However, the stability is really going to come from a solid supply of non-market housing, of co-op and non-profit housing dedicated for that purpose. Security of tenure is higher than in the private sector. Affordability, especially over time, gets stronger and stronger as it goes on. This is where, again, as I said before, I'm 100% on board with what Scotiabank called for last year: to double the supply, the relative supply, of non-market housing.

Ms. Bonita Zarrillo: You mentioned revisiting the national housing strategy. Has the federal minister or the federal ministry of housing convened a round table, a check-in or a review with non-profit and co-op providers across the country that you're aware of?

Mr. Ray Sullivan: The minister held some round tables on some national housing strategy programs just a few weeks ago. I've been working with the CMHC to develop a standing advisory group that can help to refine and create those kinds of programs that are benefiting from that practical, on-the-ground experience that our members bring. However, I do think it is time to step back and look more broadly at the national housing strategy, because enough has changed in the last five years. Programs that were designed for a period of stable costs and low interest are not necessarily going to be the right programs for today, where those things have changed.

Ms. Bonita Zarrillo: Thank you for that.

CMHC, when Romy Bowers came to this committee, talked about how they'd been out of the business of supportive housing for such a long time, they didn't necessarily have the skill base within the organization anymore. Are you seeing this round table that you just spoke of as an opportunity to work closer with CMHC and maybe re-educate them on how to work in these partnerships?

Mr. Ray Sullivan: Yes. Our members are that expertise. Our members for decades have been doing this work on the ground in communities. We're happy to collaborate in any way we can to strengthen that impact.

Ms. Bonita Zarrillo: Thank you so very much.

I also have a question for Christian from Aliferous.

What kind of supply do you feel is missing in the market right now?

Mr. Christian Szpilfogel: That's a really good question. As I was answering earlier, in my estimate, about 70% to 75% of housing is provided by very small landlords. To me, then, that's part of the tool of creating availability, but we need a balance between private market and publicly funded housing.

Mr. Sullivan has made some excellent points in terms of making sure that, while the private sector is a key tool for scale, we do have an opportunity to take a look at public housing and public funding for those of us in the private sector who can't necessarily provide that particular type of housing.

The Chair: Thank you, Madam Zarrillo.

Mr. Aitchison, you have five minutes. This will be the final round with these witnesses. You have the floor.

Mr. Scott Aitchison: Thanks, Mr. Chair.

I want to go back to you, Mr. Brooks. You referenced the number of units that the CMHC says we need to get built by 2030 to restore affordability. It's a crazy number, and certainly what we would have to do is at least double a year than the best year we've ever had.

Can you give us some thoughts on this? I mean, how corporations are treated in terms of taxes and incentives and all that kind of stuff is one thing, but on the physical act of building that many units, how are we going to do it?

Mr. Michael Brooks: Through you, Mr. Chair, that's the toughest question I've had so far: How are we going to do it?

Here's the problem: We don't have enough manpower in this country to double production of housing in the period that we're allotted. We need to tweak our immigration system to bring in a lot more skilled labour and not simply reward economic immigrants. We need to get into the high schools to tell our younger folks that a trade is a good career. Many more of them should be pursuing that career. So many in the labour pool right now are boomers like me, who will be retiring soon. That's another barrier.

Look, 2030 is seven years away. As I mentioned earlier, it takes five years to get approvals in a lot of cities in Canada. Even if we were to start right now with a rezoning application or a site plan approval application or whatever it is, it takes so long to get through some planning departments. We need to focus on speed.

We've always said in our industry that we need as-of-right zoning. When I started my career in the eighties, we had as-of-right zoning. You could put up an apartment building and just go in and apply for your building permit. As long as you were complying with the building code, you were building as of right. Maybe you'd look for a minor variance to close in the balconies. That was it in the eighties. Now everything is a “craft”. Everything has to go through series after series of meetings.

Those are two.

● (1655)

Mr. Scott Aitchison: I want to elaborate a little more on that. Clearly, all levels of government have skin in the game and have some responsibilities here. Municipalities are definitely on the leading edge of this and on the front lines of the housing crisis and the housing situation—and also a lot of the solutions.

If things were easier in terms of the municipal approvals process and there was more certainty, since investment likes certainty, do you think we might see any sorts of innovations in the construction industry that would make the construction process faster if there was some level of certainty in the process that made those investments pay off?

Mr. Michael Brooks: I'd love to see a modular construction industry in Canada. If we were able to build a big modular construction housing plant near a major market and have all the builders commit to buy from that modular housing company, that would be a great way to speed up construction. We don't have such an industry yet in Canada, and I'm not sure we'd have the scale yet unless we did aggregate buying, but I would love to see that.

Other initiatives are cross-laminated timber. CLT buildings go up much quicker, and they're much greener. That's another possible innovation.

Mr. Scott Aitchison: Could you speak as well to the concept of one of the things we've talked a lot about? The governing party and certainly our party have talked a lot about the concept of unloading underutilized federal buildings.

I know that the conversion of office space to residential space can be difficult and doesn't always make sense in terms of affordability, but what about options like free land? There are other options out there, particularly in larger centres, I'm thinking, that might be an option there. Can you speak to that?

Mr. Michael Brooks: I absolutely think that is an option. I know that in the city of Toronto they have an agency that has been looking to lever the city's vacant and underused land. I think that federally you have the Canada Lands corporation, which is charged with disposing of excess or surplus lands.

I'm thinking of the Downsview airport. There's a massive site at the end of a subway that could have a lot of housing on it, and there have to be other examples around the country where there are big federal land sites that could be used.

Mr. Scott Aitchison: That's great.

I think I'm out of time. Thank you.

The Chair: You have a few seconds, but thank you, Mr. Aitchison.

Mr. Van Bynen, you have five minutes or less.

Mr. Tony Van Bynen (Newmarket—Aurora, Lib.): Thank you, Mr. Chair.

I appreciate the gentlemen coming forward and giving us the benefit of their perspectives on the issue.

One thing that concerns me—and I've heard it over and over again—is that the business model currently doesn't work. I think your terminology was that it doesn't “pencil out”, that it doesn't make sense.

As a municipal mayor, I would challenge anyone who would ask the municipalities to give up their development charges. There's a very thorough analysis of why those funds are required because of the impact they have on the municipality. Let's set that one aside.

The other items are the increasing costs of construction, the interest rates and the cost of land. You're suggesting that if you could get no-cost or low-cost land, the business model could be workable and there would be some interest in it. How would a municipality or an organization like the CMHC put together a proposal that would work and give consideration to those components so that you have a business model that works? How could we approach something like that?

I'll start with Mr. Brooks.

Mr. Michael Brooks: For CMHC, obviously they're in the interest rate business, so with CMHC, getting super low interest rates at 1%, float 1%.... Every pro forma is going to be a little different across the country. You have to go through it on a pro forma by pro forma basis. A development in Newmarket might be different from one in downtown Vancouver or somewhere else. Super low interest rates might move the needle to get something to pencil out.

● (1700)

Mr. Tony Van Bynen: What length of commitment would be required to make something like that, or would that be subject to negotiation?

For example, some of the co-ops were committed to 25 years. Once the mortgage funding was paid down, the conditions of affordability would no longer have to apply. How long would the industry be prepared to commit to the rental rates on the basis of the cost to produce the units that you're going to be renting out?

Mr. Michael Brooks: Again, through you, Mr. Chair, that's a very good question.

It's subject to the pro forma. I'll take the example of inclusionary zoning. I went through an exercise of inclusionary zoning in the city of Toronto, with some requiring a percentage of affordable in a new development, and that just killed the pro formas and still does.

It all depends on the individual project as to whether that's 10% or whether it's 15% or 20%. If you said to me that 100% of it has to be deeply affordable, I will tell you now that it probably won't pencil out, even at a 1% interest rate. It's all a question of looking at the numbers and seeing what works.

Mr. Tony Van Bynen: Is there an appetite for the industry to consider those types of arrangements?

I'll turn that over to all three of you.

Mr. Michael Brooks: I will respond first.

Absolutely—I'm seeing it now. Look at Regent Park and Daniels Corp., which has done it effectively. Look at Taz corporation. Look at Dream Impact fund. It's happening all over the place, but it's a discussion across the table with numbers.

Mr. Tony Van Bynen: The challenge to that is that, if you go by tender, we go to the cheapest price and we can't negotiate arrangements because of the criticism that our organizations subject themselves to so often.

Go ahead, Christian.

Mr. Christian Szpilfogel: When you think about the construction of housing, realize that about one-third of the cost is obviously in soft costs. I think that was mentioned earlier.

Take a look at all the hard costs going in. In the city of Ottawa, to build a one-bedroom apartment, justifying the rent based on existing costs means there's a rental floor of about $1,700 a month. That's a very important piece, because, if we're talking about affordability in there, it necessarily means we need to find ways to drive the cost of that construction down. I think that's what you're getting at.

Soft costs are an obvious place to take a look, including things like the HST and some of the development charges in there. The mortgage costs are obviously a significant piece in there. CMHC doing what they do is helpful in releasing capital to create new housing.

My only wish—if I had one wish, with respect to CMHC—would be this: If they were to underwrite a little less conservatively, it would actually enable more capital to be invested to create new housing.

The Chair: Thank you, Mr. Van Bynen. Your time has expired.

[*Translation*]

Ms. Chabot, you have the floor for two and a half minutes.

Ms. Louise Chabot: Mr. Szpilfogel, I am trying to understand a certain philosophy. If I understood you correctly, you are saying that it is not possible to maintain affordable housing because of construction costs. But affordable housing is what we want. It is for the long term.

What contribution can you make without it become a form of market speculation, so to speak?

[*English*]

Mr. Christian Szpilfogel: Thank you very much for the question. I apologize that I'm not responding in French. I just want to make sure I'm clear.

Right now, what we're looking at in the private industry is.... The private industry can probably solve about 90% to 95% of housing needs within the overall population. That means private industry is a piece the government can leverage in order to do that. As I was saying earlier to Ms. Zarrillo, part of the concern is that the private industry can serve almost everybody, but it can't serve certain segments of the population. In that capacity, there is a responsibility with respect to the government being able to help that particular segment. It may be 3% or 5% of the population.

What we need to be able to do is make sure we properly leverage private industry to solve the big piece of the pie.

● (1705)

[*Translation*]

Ms. Louise Chabot: Do you agree that the National Housing Strategy should allocate most of its funding to off-market housing?

[*English*]

Mr. Christian Szpilfogel: That's difficult for me to comment on, because I haven't looked at the details of the national housing strategy, to be fair. I don't know exactly what they're funding.

[*Translation*]

The Chair: Thank you, Ms. Chabot.

[*English*]

I don't see Madam Zarrillo.

If nobody objects, Mr. Morrice, you get a quick question.

Mr. Mike Morrice (Kitchener Centre, GP): Thank you, Mr. Chair.

I'll be honest. It's no surprise to me that, at committee today, we have some large corporate landlords who are receiving preferential tax treatment and telling us they want to keep that.

I'd like to ask a question of Mr. Sullivan.

Mr. Sullivan, as you might know, I've been joining others in calling for real estate investment trusts simply to be taxed as other for-profit corporate landlords already are, and to use those funds to build more of the affordable supply of housing we need. This isn't about villainizing any one group. It's about ensuring tax fairness across the board and using every tool available to build the affordable housing we need.

In recent years, we know corporate financial landlords have increased their stock. It's up to 20% of Canada's rental stock. At the same time, over the last 10 years, we've lost 830,000 affordable rental units.

My question to you, Mr. Sullivan, is this: Do you feel there is any justification for maintaining corporate tax exemption for REITs?

Mr. Ray Sullivan: Mr. Brooks mentioned an interest in maybe adapting the American low-income tax credit program to a Canadian context. This is the kind of opportunity where tax incentives are coupled with actual public benefit. If there's a tax break, what does society get in return for it? In this case, it could be investment in affordable housing.

I think there's a lot of will in the private sector to address this problem, but we need to make sure we're targeting those incentives toward the core of the problem, which is affordability.

The other witness mentioned the floor of $1,700 to build a new apartment. That's actually the minimum level of affordability for the median income in Canada. Half of all people in the country cannot afford any rent higher than that. Good luck finding a $1,700 apartment in any urban centre in the country right now.

Clearly, something has to be done.

The Chair: Thank you, Mr. Morrice.

Madam Zarrillo, go ahead with your question, please.

Ms. Bonita Zarrillo: I'm sorry. I thought you had said that was the last round of debate.

Very quickly, then, I'll ask Mr. Brooks my question.

How long do I have?

The Chair: You have two minutes.

Ms. Bonita Zarrillo: I'll ask a question around what was obvious to me and was coming to me as I was sitting in my city councillor chair. Did the private market see this disaster happening, in regard to the financialization of housing for people and corporations that had the money and could benefit from it to invest in housing?

We saw these condos being built at an exponential speed. We saw the interest rates being super low. People of wealth and corporations came forward and bought those homes.

Did your realm, your organization or you see this disaster coming and see that there was going to be a crisis in our communities of homelessness? Did you do anything to offset those realities that have transpired on the street?

Mr. Michael Brooks: Thank you, Ms. Zarrillo.

Did we foresee this coming? No. I don't represent the condo builders. That's a separate group and market from our members. We represent people who build long-term income-producing property. We respond to market demand, where permitted to do so, across the country.

Did we expect immigration to go to a million people? No. It spiked. Did we expect 800,000 students to come into Canada? No. My colleague, Mr. Moffatt, will talk about the lack of student residences across this country as being part of the issue.

The job of the market is to respond to demand. We're trying to catch up with that demand as quickly as we can, but it's a slow process and right now it's difficult.

● (1710)

Ms. Bonita Zarrillo: Thank you.

The Chair: Thank you, Madam Zarrillo.

Thank you to the witness.

That concludes the first round. We will suspend while we transition to the next witnesses.

Thank you, witnesses, for appearing today and taking questions from the committee members.

We'll suspend.

● (1710)

_____________________(Pause)_____________________

● (1710)

The Chair: The committee will resume.

If you noticed, there is a large spectator group at the back of the room. This is a group of students. Mr. Coteau knows this group.

Mr. Michael Coteau (Don Valley East, Lib.): Are they there in the room today?

The Chair: There's a group that wanted to watch the parliamentary process. They had reached out to me a while back. I said that they could come in the last half-hour to a committee that was under way. This is on housing, so I said “please do”.

We're joined by our colleague, Arif. Welcome.

We're now moving into the second panel. The committee is studying the financialization of housing. We have with us this afternoon, from the Alliance des maisons, Dr. Gaëlle Fedida, coordinator, political affairs, and Mélanie Miranda, coordinator, housing. From the Canadian Alliance to End Homelessness, we have Tim Richter, president and chief executive officer. From the Canadian Federation of Apartment Associations, we have John Dickie, president. He is in the room with us.

We will start with five minutes and Dr. Fedida.

You have the floor for five minutes, please.

● (1715)

[*Translation*]

Dr. Gaëlle Fedida (Coordinator, Political Affairs, Alliance des maisons d’hébergement de 2e étape pour femmes et enfants victimes de violence conjugale): Hello.

The Alliance des maisons d’hébergement de deuxième étape pour femmes et enfants victimes de violence conjugale, which is a group of second-stage shelters for women and children who are the victims of domestic violence, has 38 member shelters in Quebec and has been working on the issue of the social housing stock.

I would like to pick up on something mentioned earlier, even though I often disagree with that person. It is indeed close to five per cent of the population that has much more specialized needs, and the government has a responsibility to those people.

First of all, there are the women who are victims of domestic violence.

Further, in our opinion, the various programs are not tailored to the victims' specific needs, and the processes are onerous and very inflexible. I would also add that the program objectives do not match the needs of the women using our shelters.

The third point pertains to the various funding envelopes, specifically, what is allocated to the private sector versus what is allocated to non-profit housing organizations. This was discussed at length in the last hour. I must say that it is very unfortunate that we no longer say social housing, but rather affordable housing. We must get back to the social dimension and an understanding of this extremely vulnerable segment of the population who need public assistance.

We have specific recommendations in this regard. Our brief has not yet been translated, but you will be receiving it in the coming days.

First, we would like to see a program for shelters that truly meets victims' needs and that addresses specific needs, in particular the significant challenges relating to the confidentiality of our shelters. Our shelters must remain confidential to ensure the safety of the women, children and workers.

Second, social housing—with emphasis on the word “social”—must be available to victims when they leave emergency shelters or second-stage shelters. That is not the case now, in view of the lack of social housing. When social housing is available, some priority must be given to survivors of domestic violence.

The third recommendation pertains to the distinction between funding earmarked for the private sector and funding for non-profit housing organizations that offer services to vulnerable populations.

Fourth, we call on the government to support all of the right to housing recommendations that were published recently by the federal housing advocate. I think her recommendations are all excellent.

Finally, we also emphasize that the proposals must be considered through a gender-based lens.

The National Housing Strategy included targets for women when we negotiated it with Minister Duclos. Unfortunately, we are not sure that some of those targets are in fact being met. In any case, they are not being met in the Canada-Quebec agreement.

I could name a number of challenges with these various programs. Non-profit housing organizations that offer services are in competition with the private sector, but it is not a level playing field at all. For the rapid housing initiative, for instance, the submission deadlines were very tight. People in the private sector are obviously much better equipped to submit what was required within such tight deadlines. Community organizations that help the victims of domestic violence do not develop projects with 100 housing units. Our focus is the women's safety. Second-stage shelters work with women who are at the greatest risk, namely, those whose partner has proven to be dangerous and who spent time at an emergency shelter. That applies to 8% of the women who use an emergency shelter.

For safety reasons, we cannot create shelters with more than about 15 units. Getting a backhoe loader to build 15 units obviously costs the same as getting one to build 50 units. So our projects are much more expensive. That is one of the reasons that a distinction must be made with respect to projects that provide social housing for very specific populations. We must not be in competition with the private sector in this regard because we are not on an equal footing.

These populations are in extreme need. The shortage of shelter spaces is well known by the department responsible for the status of women.

● (1720)

The Chair: Thank you, Dr. Fedida.

[*English*]

We'll now have Mr. Richter for five minutes or less.

Mr. Tim Richter (President and Chief Executive Officer, Canadian Alliance to End Homelessness): Thank you very much.

Good afternoon, everyone. Thanks for the opportunity to appear today.

As you know, the term “financialization” is normally raised in the context of behaviour by some market actors who will purchase low-cost, older rental housing and increase the rent to generate more profit. Often they do this by evicting existing tenants. This contributes to a major problem in Canada's housing market. As you know, Canada is losing affordable rental housing at a really alarming rate.

According to housing policy expert Steve Pomeroy, over 550,000 units of housing that rented below $750 a month were lost between 2011 and 2021. This means, obviously, that there are fewer and fewer options for low-income households.

The issue of financialization alone isn't the problem. The bigger issue here is the erosion of affordability in the rental housing market. There are many experts who can give you a better analysis of the rental market and affordability issues that we face—you've heard from some already—but it strikes me that there are really three key factors.

The first is a lack of rental supply. CMHC says that Canada needs to build 5.8 million homes of all types in the next nine years to restore affordability, but Canada has built only 570,000 rental units in the last 30 years. We also have a dire lack of deeply affordable social and community and supportive housing. These supply constraints and the increasing demand drive increased rent and decreased affordability.

The second issue is the cost of new construction. It is three times more expensive to build new rental housing than it is to purchase and convert existing housing, and it's also way faster. There's a clear financial incentive to the market to purchase old housing.

The third is a lack of provincial regulation and tenant protection. Without tenant protections, an investor can buy a cheap property and increase the rent to whatever the market will bear. In provinces where there's rent control, there's often a loophole where there's no control on vacant units, which creates a financial incentive to evict people to increase rent.

If we only attack one element of the problem—actions by some of those market actors who purchase low-cost, older rental units and raise rents to generate more profit—we won't solve the affordability problem. Further, we might make it worse by pushing out desperately needed private investment. To restore affordability of rental housing, we need to create about 1.74 million units of purpose-built rental housing. Building this much rental housing would cost at least $610 billion. Unless governments are prepared to invest that much, we need private investment.

It's critical that we stop the loss of low-cost rental housing and aggressively add supply of market-affordable and deeply affordable housing.

I'd like to propose seven potential solutions.

First is to make purchasing existing rental housing less economically attractive. One option to do that would be to tax the purchases of rental housing by private investors above a certain number of units to target large-scale purchases or to tax the profits from those purchases.

The second solution, as Ray Sullivan mentioned earlier, is to create an acquisition fund to allow NGOs to purchase and renovate rental housing and protect low-cost rental. This has been done in British Columbia and, as soon as it was announced, apartment owners, REITs and others were coming out of the woodwork to sell some of their older buildings. It's a great way to preserve existing affordable housing.

Third is creating economic incentives to build. You've heard some of those ideas, for example, accelerated capital cost allowance and low-income housing tax credits. Other finance and tax tools could be very effective.

Fourth is to push the provinces to put in place tenant protections to prevent renoviction. This could potentially be achieved as part of infrastructure and housing investment negotiations.

Fifth, I'd recommend revamping the national housing strategy to generate at least 350,000 units of deeply affordable rent-geared-to-income housing units, including 50,000 units of supportive housing.

Sixth is to provide urgent rent relief to low-income households. Canada right now is under a wave of new homelessness on the same scale as Canada's largest natural disasters. People are being pushed out of their housing by huge increases in the cost of rent. We have proposed the creation of a homelessness prevention and housing benefit that could stop or at least significantly slow this deadly wave of new homelessness. We can protect low-income Canadians until new housing can be built. It will be far more expensive to solve homelessness after it happens than to prevent it in the first place.

● (1725)

Finally, we need to revamp the Canada housing benefit. Three-quarters of people in core housing need are there only temporarily, and they're all in housing. Housing benefits can be used to provide temporary affordability support and respond to sudden changes in housing need or affordability, leveraging existing private and near-market housing.

Thank you all very much for the opportunity. I look forward to discussing this further.

The Chair: Thank you, Mr. Richter.

Now it's Mr. Dickie for five minutes.

Go ahead.

Mr. John Dickie (President, Canadian Federation of Apartment Associations): Thank you, Mr. Chair.

I am the president of the Canadian Federation of Apartment Associations. CFAA represents 15,000 owners and managers of over 1.5 million rental homes across Canada, through 13 member associations and direct memberships.

My main professional qualifications are first-class honours B.A. in economics and a long career as a lawyer for those in rental housing. Starting 40 years ago, I acted for renters for six years, in renters and tenant associations. I always like to tell our members that so they don't hear it from somebody else. I'm open about that being where I started. Since then, I have acted for rental housing providers of all sizes.

Many people picture rental housing as apartments in large buildings such as one can see in any large city. However, many other apartments are found in walk-up buildings of three stories or in three-, four- or five-unit buildings. Quebec is famous for its plexes—fourplexes and sixplexes. Over 3,000 rental homes are row houses. All of that together is the purpose-built rental market. It totals 2.5 million homes.

Besides that, there are a little over half a million rental homes in social housing—also called community housing—and then there are two million more rental homes that many people are unaware of or ignore. Those are the rental homes in the secondary rental market. They are rented single-family homes, duplexes, doubles, accessory apartments and rented condos—whether in condo towers or ground-oriented complexes. Anyone can drive or walk down many city streets and not realize that those homes are rented. There are two million of them across Canada. That includes in Toronto, where there are 200,000 of them.

The total rental supply across Canada is five million homes. The details of this are set out on page 2 of CFAA's joint brief with the Federation of Rental-housing Providers of Ontario.

Now, most rental homes of all types are good substitutes for many others. Apartments in towers compete with low-rise apartments and rented condos as well as with the rest of the secondary market. This widespread competition and the fragmented nature of the rental housing industry means that large rental providers have no power to set rents above the levels determined by supply and demand.

Another key issue is how much money rental providers make. Some people picture all or most of the rent money going into the landlord's pocket, but the truth is far from that.

At page 3 of the brief, you will find a pie graph showing where a typical dollar of rent goes. Fourteen cents on average goes to property taxes. Twelve cents is for utilities and 19¢ is for other operating costs. That makes up 45¢ out of every dollar of rent, leaving 55¢ for what is called the net operating income, but we're not done with the expenses. On average, another 36¢ goes to pay the mortgage, and 11¢ goes to pay for major repairs and building modernization. That leaves just eight cents out of every dollar of rent as the pre-tax return on each dollar of revenue—and then there are taxes.

To make its report, the committee will have to choose between two very different views of REITs, rental housing corporations and, indeed, all rental housing providers.

CFAA condemns any action to push people out of their homes. However, under our Constitution it is up to the provinces to regulate and prevent such action. In addition, CFAA believes that such action takes place only in very isolated cases, and that federal tax law is much too blunt a tool to address that isolated behaviour. Instead, tax changes—such as those proposed—could easily have widespread and serious negative impacts on the supply of rental housing.

● (1730)

Excluding REITs or corporations from CMHC mortgage insurance or other housing programs would also risk creating widespread and serious negative impacts on the supply of rental housing.

In conclusion, financialization is not nearly as significant an issue as it is said by some to be, and the proposed cures being suggested to the committee are much worse than the alleged disease.

The Chair: Thank you, Mr. Dickie.

This round is going to be five minutes instead of six minutes to each. We'll see how we go.

Students, thank you for visiting.

Mr. Aitchison is next, for five minutes, please.

Mr. Scott Aitchison: There must be something I said, Mr. Chair. They knew I was going to start.

Mr. John Dickie: No, it must be something I said.

Some hon. members: Oh, oh!

Mr. Scott Aitchison: I want to start with Mr. Richter, actually.

I specifically want to speak about some of the comments you made in your opening remarks. You made the comment, “If we only attack one element of the problem—actions by some of those market actors who purchase low-cost, older rental units and raise rents to generate more profit—we won't solve the affordability problem” and we might make matters worse. In restoring affordability of rental housing, you said we need about 1.74 million units and scaring away private sector investments is not going to help with that.

What I love is that you recognize we need all hands on deck and that we need all players involved. We're not trying to demonize anybody in particular.

Can you elaborate on that a little bit, Tim?

Mr. Tim Richter: Part of our challenge is that we're in a significant hole. When you're in a hole, you have to stop digging. We have to think of a way to slow or stop this loss of affordable rental housing.

As I said, you can probably do that through a combination of creating an NGO, like Ray Sullivan talked about, or a fund so that you could purchase some of these older units. Make it more attractive to build and less attractive to buy, and the market will naturally go to where the best economic opportunity is and the behaviour will likely shift.

I think you want to be really careful about that heavy blunt-instrument approach where you're changing the tax treatment of the REITs or making large-scale sweeping tax changes.

I think you can be quite a bit more targeted than that. However, you do have to disincent that behaviour that causes the loss of that housing. Again, the impact of that loss of housing is magnified by the lack of housing supply.

Mr. Scott Aitchison: That's a great segue, actually, to John. Thank you for that.

John, at the end of your comments, you said that renovictions are not nearly as common as I think maybe the hyperbole would suggest. Other witnesses said they are and that it's a major issue in this country. I'm hearing from Tim that sweeping changes in tax rules against REITs would maybe exacerbate the situation.

Can you talk a bit about how common renovictions are? Obviously, we don't want that to be happening, but we don't really have the authority to stop it.

Can you speak to that a little bit more?

● (1735)

Mr. John Dickie: Yes. Statistics Canada surveyed tenants in 2021. They found that 7% of tenants had been evicted at some point in their lifetimes. Now, assuming that the average tenancy experience is 10 years—for many people, it's 20 or 30 or 40 years—that means seven-tenths of 1% of tenants are evicted each year. In other words, it's seven out of a thousand tenants.

StatsCan went on to ask the reason for the eviction, and only 10% of all evictions were for demolition, conversion or major renovations. That means that, in any year, less than one out of a thousand tenants are evicted for those reasons. Deducting demolitions that are needed for intensification or new transit lines, we can estimate that only one out of 2,000 tenants are evicted for renovations. The vast bulk of evictions occur in the secondary market, for the sale of a property or the owner's own use, and then we have conflict with the landlord or other tenants and we have arrears of rent. It is a tiny fraction of a small number of evictions that flow from renovations.

There's another table in our submission that addresses that, with older statistics from the Wellesley Institute, an anti-poverty group. It's on page 7 in the submission.

Mr. Scott Aitchison: You're saying that the vast majority of those kinds of evictions don't happen in the purpose-built rental buildings but tend to happen more in the secondary market.

Mr. John Dickie: A large landlord, a corporation, can claim personal use. They don't sell single units, typically. It's smaller investors. Believe me, I represent smaller investors too, and I want them to have the right to use their properties as they wish, but that's a question for provincial law.

The point is that those evictions, the vast bulk of evictions, are not for major repairs.

Mr. Scott Aitchison: Thanks.

[*Translation*]

The Chair: I will now give the floor to Ms. Martinez Ferrada for five minutes.

Ms. Soraya Martinez Ferrada: Thank you, Mr. Chair.

Mr. Dickie, you just mentioned the provinces. That is a good segue to my next question.

I will start with Mr. Richter, followed by Dr. Fedida from the Alliance des maisons d'hébergement de deuxième étape pour femmes et enfants victimes de violence conjugale.

The government has passed legislation on the right to housing. The federal government has been called upon to reflect on public housing policies based on human rights. It appointed a federal housing advocate.

How do you think the human rights approach can be applied to the financialization of housing?

How can we use that approach, which falls under provincial jurisdiction, to legislate and counter market speculation and the financialization of housing?

[*English*]

Mr. Tim Richter: I'm an enthusiastic supporter of the right to housing. I think that's key to eliminating homelessness in Canada. I supported and lobbied for the creation of the National Housing Strategy Act. Now the challenge with the act is that it applies only to the jurisdiction of Parliament, so it doesn't yet apply to provinces or territories. In terms of this particular issue, I think that if it applied to provincial legislation in particular, it would mean that tenants should not be evicted simply to increase the rent. It would mean that they would have security of tenure.

[*Translation*]

Ms. Soraya Martinez Ferrada: Thank you, Mr. Richter.

Dr. Fedida, do you have anything to add?

Dr. Gaëlle Fedida: In our view, that would be a double obligation. There is the right to housing, but above all the right to safety for women. That is in fact a right for all Canadians, but we are talking about women now. These are also recognized rights.

It is more than a right, it is a government mandate, whether at the federal or provincial level. It is also important in the provinces.

Given the danger to women and the duty to provide secure and adequate housing for them, that is how the right to housing in cases of domestic violence will be implemented.

● (1740)

Ms. Soraya Martinez Ferrada: Thank you, Dr. Fedida.

Everyone agrees that regulations relating to housing fall under provincial jurisdiction. What can we do at the federal level? We have undertaken, among other things, to work on a registry of owners.

In your opinion, how can federal legislation provide assistance in this regard? How should we work with the provinces to introduce legislation on human rights and tenant protection?

Mr. Dickie, I understand that the statistics on renovictions might seem insignificant to you, but I represent the riding of Hochelaga, and renovictions are one of the biggest problems we are facing in Hochelaga right now. We have to remember that behind every statistic, whether it is 1% or very low, are the people it represents. No one deserves to be put out on the street because someone wants to renovate a building and raise the rent.

I would like to hear from Mr. Richter and Dr. Fedida on how the federal government could introduce legislation on the right to housing and preventing renovictions.

Dr. Gaëlle Fedida: I heard part of the presentation earlier. The federal government does indeed have real power over taxation systems. In my view, that is a promising avenue.

I don't know if Mr. Richter has something to add. Taxation is certainly a tool at the government's disposal.

Knowing that, how...

Ms. Soraya Martinez Ferrada: I'm sorry to interrupt you. I would like to give Mr. Richter some time.

Mr. Richter, would you like to comment on that?

[*English*]

Mr. Tim Richter: Really quickly, I want to take issue with one data point that Mr. Dickie presented.

Just to put the Stats Canada data in real terms, there are estimates that, between April 2016 and April 2021, 253,000 to 331,000 renter households containing 531,000 to 770,000 renters were evicted. As a percentage it can seem fairly small, but you're talking about 770,000 people who were evicted in that five-year period.

In terms of the tools that the federal government has, I think there are a couple of things.

One is that, if the federal government is getting into leadership on housing and will make major investments, there are usually agreements between the federal government and the provinces and/or the municipalities they're contributing cash to. If they can put conditions on those transfers obligating or pushing the provinces and the municipalities to respect the right to housing, they could do that. Under international human rights law, all subnational governments are bound by the treaty signed by the federal government. Canada is bound by international human rights law to respect the right to housing.

Also there are tax measures, as I mentioned.

The Chair: Thank you, Madam Ferrada.

Just before we go to Madam Chabot, Mr. Richter has advised me that he has to leave at 5:50.

Madam Chabot, you have five minutes, please.

[*Translation*]

Ms. Louise Chabot: Thank you, Mr. Chair.

Thank you also to the witnesses for being here. I will use the remaining five minutes to ask Mr. Richter some questions.

Mr. Richter, my first question is one to be developed. You listed all of your recommendations to promote, strengthen and ensure long-term affordability. We are talking now about stopping financialization, which our study wants to support. One of the options you suggested is to “make purchasing existing rental housing less economically attractive”. You also propose to “tax purchases of rental housing by private investors above a certain number of units”.

Can you elaborate on these proposals?

● (1745)

[*English*]

Mr. Tim Richter: I wish I were a tax policy expert, but I am not. I do think, though, that you can apply taxation to purchases of property. In that case, you can then apply some kind of tax. Ultimately, you don't want to damage the overall corporate structure. You don't want to necessarily damage their REIT structure. You just want to even out the economics between purchasing and construction.

You could apply a tax over a certain number of units, so you wouldn't necessarily also damage the smaller investors, but I think there could be a targeted federal tax on large-scale purchases, because some REITs are buying and selling thousands of units, like 25,000 units in a single transaction. That's incredible. If you can slow that kind of change on the large scale, and on the larger end of the small owners—50 to 100 units—you could have a significant impact on financialization.

I think probably the most efficient way to slow financialization is through provincial regulation on vacancy decontrol.

[*Translation*]

Ms. Louise Chabot: In your view, in addition to stopping financialization, should non-market affordable housing be developed at the same time?

[*English*]

Mr. Tim Richter: Absolutely. We absolutely have to.

I think at least 350,000 units of—

[*Translation*]

Ms. Louise Chabot: Why do we have to do that?

[*English*]

Mr. Tim Richter: We need to do that for no other reason than there are lots of Canadians who will never be able to afford to live in market housing on their own without assistance. The market simply cannot house people living on income support, unassisted. If you're on welfare in any province, you will not be able to afford to live in market rental housing without some assistance.

[*Translation*]

Ms. Louise Chabot: Thank you. We agree.

Dr. Fedida, thank you for being here today. I would like to commend you on your organization's excellent work. We know how important it is for women to have a place where they can receive support and services safely, and you contribute to that.

You talked about the importance of making the distinction between “affordable housing” and “social housing”, a distinction that is perhaps not made often enough. Social housing is different from affordable housing because it guarantees that women will be housed safely, among other things.

Can you tell us what is missing?

Dr. Gaëlle Fedida: What more needs to be done with regard to shelters and to help women find housing?

Ms. Louise Chabot: I mean so that women can find housing.

Dr. Gaëlle Fedida: The shelter workers spend their day looking for housing so the women can get out of the shelters. Shelter space is very limited. Women who are in danger have to stay longer because we cannot find other housing for them. That's the problem.

The Chair: Thank you.

Ms. Louise Chabot: In principle, finding housing should not be your job, should it?

Dr. Gaëlle Fedida: No, finding housing is not easy at all. We practically have to go door to door to find it. In the Laurentians, for instance, finding housing requires very close follow-up.

Then the property owner has to be convinced to accept a single-parent family, since they might have problems paying the rent. Event though the women we help receive an income supplement, which is an excellent feature that must definitely continue, this is of course a clientele that could be problematic for private owners.

● (1750)

The Chair: Thank you.

Thank you, Ms. Chabot.

[*English*]

We have Madam Zarrillo for five minutes, and that actually may conclude us.

Madam Zarrillo.

Ms. Bonita Zarrillo: Thank you.

I am going to carry on with questions to Madam Fedida, because the gender-based violence problem in Canada is only growing, especially through the pandemic. I just note that my colleague, the member for Nunavut, brought this into the House on April 26, saying that in the territory that she represents those women are forced to live with their abusive partners. The government needs to hear that these women are forced to live in abusive situations, because of the lack of housing, because there are no shelters and because the justice system is not protecting them. Also, the government needs to recognize how failures in investing in indigenous housing leave women living in fear and unable to find safety.

I hear that too in my own community. Tri-City Transitions, in my community of the Tri-Cities, can't find enough housing to keep women safe.

Ms. Fedida, perhaps you wouldn't mind just sharing how the pandemic has affected your clients looking for housing.

[*Translation*]

Dr. Gaëlle Fedida: During the pandemic, the number of women in shelters was much lower because they could not leave their homes. The housing availability problem got worse during the pandemic. Some women were able to leave their homes during the pandemic and went to shelters, but it is always difficult to find housing after they leave an emergency shelter or a second-stage shelter. That is always the challenge, and since our role is to help ensure their safety, we cannot let them leave the shelter until they have found an appropriate place.

With regard to second-stage shelters—our latest statistics were just released—, we are able, with continuous support, to provide adequate shelter for 72% of women leaving their home. That means that a third of them do not find adequate housing. Either those women go back to live with their violent partner, which unfortunately is the case for 5% of the women we provided shelter to this year, or they end up in other types of housing that is not adequate. In this regard, I'm not sure there is a direct link between the COVID-19 pandemic and the fact that there is less housing available. The market being what it is, these women are not given any special priority. They have no way of convincing a landlord to grant them a lease. There are no further resources, since there is no particular incentive either, even in the private market.

In Quebec, we are testing rent supplement programs specifically for victims of domestic violence. That does provide some financial support in the private market, but the problem is that landlords are not inclined to wait because there are a lot of procedures involved. By the time the procedures are complete, the landlord has already found three other tenants to sign the lease. That is another factor.

Earlier, I mentioned the administrative burden of all the provisions. That prevents us from taking advantage of certain opportunities related to development projects, for instance. Today, we received confirmation of funding from the National Housing Co-Investment Fund (NHCIF), which is a federal fund, but those confirmations were from April 2022. It is now early June 2023, and the agreements have still not been signed. Once the agreements are signed, we will still have to wait several weeks to receive the funds.

At the beginning, I talked about the problems with the various programs and especially the procedures. I heard a witness say earlier that it takes five years to approve an initial development project. That is certainly too long, and part of that time is taken up with the internal administrative procedures of the Canada Mortgage and Housing Corporation, or CMHC. That is really under the government's control.

● (1755)

[*English*]

Ms. Bonita Zarrillo: Thank you so much.

If I have just a few seconds, I also wanted to mention, just for the record, a UBC study that came out recently and said that B.C. has the highest rental eviction rates in the country, at almost double—10.5% versus 5.9%. I wanted to echo what Mr. Richter was saying about how we are in a hole and we need to stop digging.

The Chair: Thank you, Madam Zarrillo.

There's not enough time left to begin another round. We have a hard stop at six o'clock.

With that, I want to thank the witnesses for appearing this afternoon on this important study.

I will just remind you that I was questioned on a timeline for written submissions on this report. It looks like we can go to the end of June for any party that wants to provide to the committee a written submission on this study that will be used in consideration of the final report, so that will be the end of June.

With that, committee members, there being no further business before the committee, is it the wish of the committee to adjourn?

Some hon. members: Agreed.

The Chair: We're adjourned.