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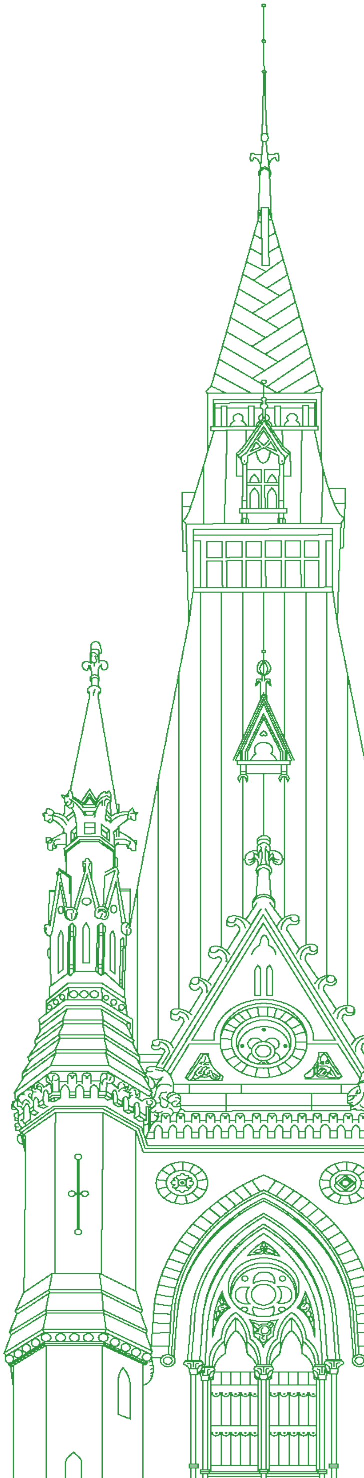

Chair: Mr. Robert Morrissey

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

Friday, June 9, 2023

● (0850)

[*English*]

The Chair (Mr. Robert Morrissey (Egmont, Lib.)): Good morning, committee members.

The clerk has advised me that we have a quorum. Everybody has been sound tested. I will warn that there are some issues with practically everybody appearing virtually this morning, so we'll go as we go. It's in and out.

I call the meeting to order. Welcome to meeting number 73 of the House of Commons Standing Committee on Human Resources, Skills, Social Development and Status of Persons with Disabilities.

Today's meeting is taking place in a hybrid format pursuant to House order of June 23, 2022, which means some people are participating remotely by Zoom and we have the rest here in the room.

To ensure an orderly meeting, I would ask that all questions be directed through me, the chair. Wait until I recognize you to speak. You have the option of speaking in the official language of your choice. If you're in the room, use the headset. If you are appearing remotely, use the translation icon at the bottom of your screen. If there is an issue with translation, please get my attention. We'll suspend while it's being corrected.

I would also like to advise those who are attending the meeting virtually or in the room that taking pictures or still shots is not allowed.

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 financialization of housing.

We'll begin with our witnesses for the first hour.

Appearing virtually, as an individual, we have Steve Pomeroy, industry professor with the Canadian Housing Evidence Collaborative. From the Federation of Rental-housing Providers of Ontario, we have Tony Irwin, president and chief financial officer, who is in the room with us. From the Minto Group, we have Dan Dixon, senior vice-president, project finance.

Each presenter has five minutes to give an opening presentation and then we'll go to questions from committee members.

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

You have the floor.

Mr. Steve Pomeroy (Industry Professor, McMaster University, and Executive Advisor, Canadian Housing Evidence Collaborative, As an Individual):

Thank you, Mr. Chair, for inviting me to this important discussion.

In my work as an academic and a researcher in this area, a number of my studies have been cited by other witnesses, particularly around the very dramatic erosion of the low-end rental stock, with a loss of over 550,000 units in the decade of 2011 to 2021, at a time when we only built about 70,000 units of new affordable housing. The loss of existing stock is a critical issue, and that's being lost as a result of the rents moving above affordable levels.

I've submitted a brief to the committee. I don't know whether it's been translated and circulated. I'll simply highlight some of the key points in that brief, which discusses the issue of financialization as well as the state of the rental market and the issues creating the affordability crisis in rental housing.

The analysis revealed that the issues contributing to the ongoing phenomenon of rent-gouging and renovictions, and the dramatic ongoing erosion of these lower-rent options, are pervasive and relate to a wide range of investors, of which REITs are a very small fraction. In fact, as other witnesses have indicated, REITs manage and operate less than 5% of all rental housing in the country.

The behaviours have more to do with the transformation of rental housing into an attractive asset class, which is attracting investment both from large institutional investors as well as many small investors.

Really, the increasing issues are related to an insufficient supply of rental housing, which is a long-term phenomenon in this country. This is being exacerbated by a very significant increase in demand, especially from international students and temporary foreign workers. These are over and above the immigration targets. There is also pent-up demand from young families seeking to purchase a home. Because of prices and macroprudential policies, they can't afford to buy and, as a consequence, they remain in the rental market. We've seen a significant reduction in the home ownership rate in this country as a result of them being unable to move out, create vacancies and create a healthier rental market.

The other key issue relates to provincial regulations of the rental market allowing vacancy decontrol, which is the feature allowing these significant increases in rent. I think that's an issue, obviously, of provincial jurisdiction, but it's one the committee needs to think about.

In terms of the recommendations in the paper, the first one relates to vacancy decontrol and its impact. The recommendation is to request that the provinces revise current rent regulations to, at least temporarily, remove the vacancy decontrol mechanism to moderate the excessive increases in rents while new construction catches up to these historically high levels of immigration creating these pressures. While this is provincial jurisdiction, there is a precedent for this. In 1975, under the anti-inflationary measures, the federal government asked the provinces to adopt rent regulation, and they all did. Subsequently, those regulations were relaxed once the issue had passed. It has been done before.

The second recommendation, given that most acquisitions of existing properties are by various types of investors utilizing CMHC mortgage insurance, is that the committee suggest CMHC establish more stringent conditions to limit rent increases for investors utilizing mortgage insurance to purchase existing lower-rent properties.

The third recommendation relates to the changing pattern of institutional investors and REITs in the residential rental market. Historically, these investors purchased existing assets because they were priced better and had less risk than building new. Recently, many of these investors have moved to new construction. Therefore, rather than eliminating REITs and institutional investors, we should try to direct their investment into the new supply part of the market, encouraging a pivot that's already ongoing towards that nature of investment.

The fourth recommendation is to encourage institutional investors and pension funds —which offer to invest via REITs and other asset management firms—to update and review their ESG investment guidelines to minimize enabling the practice of renovictions and large rent increases in properties in their portfolios. Michael Brooks spoke about an industry code of conduct to address this issue in previous hearings.

The fifth recommendation is that the government amend the national housing strategy to create a funding and financing mechanism that would allow non-profit organizations to purchase existing lower-rent units. By taking them out of the market system, they could de-commodify those assets and preserve the lower rents in perpetuity. This would also take advantage of a desire among the REITs to dispose of some existing lower-rent assets, which I think Dan Dixon will speak about later. That creates a mutual opportunity both to preserve and to take the proceeds from those sales to invest in new construction.

● (0855)

The sixth recommendation is to encourage Immigration, Refugees and Citizenship Canada to review and recalibrate the issuance of international student visas and temporary foreign worker permits to better align with new rental supply and to direct the CMHC to utilize its low financing rental construction financing initiative to encourage and support the construction of purpose-built student housing that would take some of the pressure off the market and the displacement that occurs due to the high number of international students entering the country.

I look forward to the discussion.

Thank you very much.

The Chair: Thank you, Mr. Pomeroy.

Now we will go to Mr. Irwin for five minutes.

Mr. Tony Irwin (President and Chief Executive Officer, Federation of Rental-housing Providers of Ontario): Thank you, Mr. Chair.

Good morning. My name is Tony Irwin. I am president and CEO of the Federation of Rental-housing Providers of Ontario, or FRPO.

FRPO has been a leading voice of the rental housing industry for over 30 years. We represent more than 2,200 members who own and/or manage over 350,000 rental homes across the province of Ontario. FRPO is also a founding member of the Canadian Federation of Apartment Associations, or CFAA.

I am pleased to have the opportunity to address the HUMA committee today as you review the financialization of purpose-built rental housing in Canada.

On Tuesday, you heard from my colleague, John Dickie, president of CFAA. John briefed the committee on the various segments of the rental market and how a dollar of rent is split between operating and capital expenses and what is left over as net income. Today, I am going to brief the committee on the cost of major repairs and building modernization of rental apartments.

Our apartment stock is aging in this country. In Ontario, over 80% of existing purpose-built rental stock was built before 1980, making it at least 43 years old. These buildings require significant modernization. Even with regular maintenance, building elements eventually reach the end of their useful life and must be replaced. This includes everything from roofs, balconies, heating systems, elevators, windows, underground parking structures and other building elements. Replacing any one of these could easily cost 20% of the total annual building revenue, and this is before all other expenses.

Figure 3 on page 4 of the joint CFAA-FRPO submission shows real-life examples from four different buildings in Ontario in 2022. A new roof cost $442,000, or 18% of the gross rent for the year in one large apartment building. In other buildings, elevator refurbishment, garage concrete restoration and new windows cost 17%, 48% and 81% of the gross rent respectively. These are significant costs for work that is needed to keep buildings safe and structurally sound or to improve energy efficiency by replacing old windows.

How do we pay for essential building modernization? In Ontario, our rent control system consists of several major pillars, including a maximum guideline rent increase tied to the CPI—this has a hard cap of 2.5%, a level that is significantly below current inflation—and an ability to apply for an “above guideline increase”, or an AGI, to cover a portion of the cost of major repairs.

It is important to understand that the AGI process is highly regulated. AGIs are capped in legislation to a maximum 3% rent increase per year over a three-year period. An AGI application can be made only after the work is complete, and the application must meet all criteria set out in provincial legislation in order to be approved by the Landlord and Tenant Board. In most cases, rental housing providers are able to recover only a portion of the cost of these repairs through AGIs due to the cap.

Some have argued that AGIs should be removed; however, with the annual rent increase guideline cap at 2.5%, and operating costs increasing at a much higher rate, there is no other mechanism to fund large-scale building infrastructure. As I mentioned earlier, 80% of Ontario's purpose-built rental stock was built before 1980. If we are not able to make essential repairs and replace building elements and share that cost with residents, the stock will slowly go out of commission. This is in the context of a significant supply shortage of purpose-built rental housing right across this country.

In Ontario alone, FRPO-commissioned reports conclude that we need over 300,000 net new rental units over the next decade to address the supply gap, and AGIs are an essential component that makes Ontario's rent control policy framework viable to operate rental buildings.

The current housing affordability challenge in housing, both rental and ownership, is fundamentally a supply problem. We are not building enough housing, including purpose-built rental housing, to keep up with demand. The right policy approach to tackle this challenge should focus on incentives to drive more public and private investments in construction of new rental projects across the country. Policies that further restrict capital investment in a sector grappling with a significant supply shortage will only make matters worse.

Thank you for your time. I look forward to your questions.

● (0900)

The Chair: Thank you, Mr. Irwin.

Mr. Dixon, you have five minutes, please.

[*Translation*]

Mr. Dan Dixon (Senior Vice-President, Project Finance, Minto Group): Thank you, Mr. Chair.

I would like to thank the Committee members for inviting me to appear today.

[*English*]

My name is Dan Dixon, and I'm the senior vice-president of project finance for the Minto Group and Minto Apartment REIT.

I'm here today to represent Canada's five largest publicly traded real estate investment trusts that focus on apartment rentals in Canada and on policy matters relating to housing affordability. For convenience, I will refer to these REITs as the REIT group.

The REIT group members have a multi-decade history as housing providers. We play an important role in housing Canadians, and we are proud of what we do. We provide homes to approximately 120,000 families and households across Canada. Our average rent is $1,394 per month. While we offer apartments at a range of prices to satisfy the housing needs of all Canadian renters, 53% of our homes are affordable at rental rates that are less than 30% of a renter's median income, the standard set by CMHC for affordability.

Although we run large, visible organizations, we make up a small part of the rental stock in Canada. With approximately five million renter households in Canada, the REIT group's 120,000 suites represent fewer than 2.5% of all rental suites in Canada.

The REIT group believes in the progressive realization of the right to adequate housing as set out in the National Housing Strategy Act. We have proactively met with the federal housing advocate to ensure and improve our understanding of the rights, duties and obligations of all participants in the housing sector.

In this regard, the UN framework referenced in the National Housing Strategy Act is helpful and clear. Governments are accountable to their citizens for the realization of the right to adequate housing. Governments are also responsible for putting frameworks in place to ensure a functioning housing market and that businesses in the private sector are important players. In Canada, the private sector delivers over 96% of all housing.

As businesses, our strategy is to meet the needs of our residents while taking care of our employees and the environment. REITs are required to pay out 100% of their taxable income to their unit holders as distributions, where that income is taxed in their hands. The distribution of that income currently provides our unit holders with a yield on their investment of approximately 3%.

As we go about operating our businesses, we recognize that our apartments are homes that provide comfort, safety, convenience, pride and a sense of community. We regularly survey our residents and take their feedback seriously. We compete with each other and with the other 4.9 million rental apartments in Canada for tenants to choose our buildings.

We support CMHC's call to build 5.8 million new homes by 2030 to restore affordability. The private sector will provide the vast majority of these homes. The total REIT sector in Canada, including apartment REITs and diversified REITs, has over 230,000 homes in its development pipeline. That is the equivalent of one full year of housing starts in Canada at a time when we desperately need housing supply.

To develop these homes, we need access to the capital markets. That requires a stable and predictable regulatory environment. We agree with many of you on this committee that the government should focus its support on those one in 10 Canadians in core housing need through a mix of social, supportive, co-operative and subsidized housing. There are tools the government could use to encourage more of that.

The most affordable housing is existing housing. That's why we support a national acquisition fund to acquire existing, affordable rentals and keep them affordable in perpetuity. There are a number of buildings in our portfolios that would be good candidates for this fund.

Among the housing rights itemized by the UN is the right to choose one's residence, to determine where to live and the freedom of movement. Fulfilling that right requires a robust and functioning private housing market. Public real estate investment trusts are a vital tool in the tool box for providing choice and value in housing for Canadians.

Thank you for your time. I look forward to taking your questions.

● (0905)

The Chair: Thank you, Mr. Dixon.

Before we begin, I forgot to recognize that we have Ms. Kusie joining the committee this morning. She's been here before. We also have MP Morrice as a guest again.

The only other point is that it is the interpreters who decide on the sound quality, whether it is inadequate or acceptable.

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

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

Thank you to all of the witnesses.

I'd like to start with Mr. Irwin.

I'd like for you to expand a little bit on the situation. Our existing rental stock is aging. It needs to be updated. We also need more of it.

We've talked about what causes delays with municipal approvals and all of these issues. Can you give me some specific examples of what the federal government can be doing to help speed up the process of getting new purpose-built rentals constructed?

Mr. Tony Irwin: It's a great question. We talk about how it really does need to be an all-hands-on-deck approach. Every level of government needs to be committed to getting more rental housing built. I guess in the context of these hearings and this meeting happening today, you want solutions and we want to provide them; but certainly, as I said in my remarks, policies that would disincentivize, that would in fact make it tougher to get housing built, seem like completely the wrong approach to be taking. We need every level of government to say, certainly as relating to purpose-built rental housing, that it is a priority. We haven't had enough built for several decades, and what can we do to improve on that?

So whether that is through the housing accelerator fund or through CMHC providing better rates for loans to be able to get projects into the ground, the federal government does have the capacity to do things through those mechanisms that will help make the economics work. We have members—and certainly Mr. Dixon can speak to that—who want to build housing. That's what they do. They want to do it. But the economics have to make sense for that to take place.

You mentioned the municipal approvals, and the provincial government of Ontario is doing a lot to try to make that better. The federal government's role to me is providing support through things like CMHC and not doing things through taxation that would only disincentivize and drive investment to other jurisdictions or other countries. That's not going to get housing built. Let's focus on saying we need to say “yes”, not “no”, and how do we actually make this happen through every level of government using the tools that they have at their disposal to make it happen.

Mr. Scott Aitchison: Thanks for that.

Mr. Dixon, I think I'll move over to you now.

I believe you said in your submission that almost 53% of your suites, about 120,000 of them, are rented at affordable rates. We often talk about new buildings being built with a mix of market and affordable rates so that the numbers work out and the math adds up on the total project. That's a staggering number to me that so many of them are at that rate. How are you able to do that and is there a general formula or is it project by project?

● (0910)

Mr. Dan Dixon: When the CMHC introduced their MLI Select mortgage insurance product in March last year, they also introduced a median renter income index, which is used by them to measure affordability. When we applied that criterion across all of the units in the REITs' portfolio, roughly about half met that criterion. We cater to all needs, so we have higher-price units and we have lower-price units.

On the development side of things, it is virtually impossible to develop in urban environments and provide affordable units without some type of government assistance. The firm that I work for, Minto, is constructing an affordable building in Etobicoke in Toronto with the help of two levels of government. A Richco project at 610 Martin Grove is being built in partnership with the City of Toronto's open door program, where they provide a capital grant and a waiver of property taxes on an ongoing basis, and it is being financed through CMHC's rental construction financing initiative. We are able to provide 100 deeply affordable units that meet the City of Toronto's criteria, and the balance of the building meets CMHC's RCFI criteria.

I look at this as an example of the private sector working with two levels of government to produce something that works for everyone and delivers socially desirable outcomes. We would do more of these projects if the funding were available.

Mr. Scott Aitchison: CMHC has just announced a significant premium increase for multi-unit residential 5+. I assume that is going to have a significant impact on these projects as well?

Mr. Dan Dixon: It will have an impact on projects going forward, and they've also tightened their underwriting criteria for income.

Mr. Scott Aitchison: Thank you.

Quickly to Mr. Pomeroy, thank you for your submission as well.

From what I heard from you today, I got the distinct impression that you believe that this situation in Canada requires an all hands on deck approach as well, and that the private sector and not-for-profit sectors all need to be in the mix on this. Could you confirm or deny that and maybe expand on it briefly? You only have about 30 seconds. I apologize.

Mr. Steve Pomeroy: Yes, absolutely. It is a partnership and I think discussions between the affordable housing sector and the industry have been very constructive and positive. Clearly to meet construction targets, we need the private sector to build those units. The challenge with just focusing on supply is that it doesn't meet the affordability crisis, so we need to actually do both, add supply and figure out ways to make that new supply more affordable, which is where you layer in various government subsidy mechanisms, which Dan Dixon has spoken about.

Mr. Scott Aitchison: Thank you.

The Chair: Thank you, Mr. Aitchison.

Mr. Scott Aitchison: I was bang on six minutes. You have to be a little impressed with that.

The Chair: Yes, you were three seconds under. I am impressed.

Mr. Coteau, you have five minutes and 56 seconds, like Mr. Aitchison had.

You have the floor.

Mr. Michael Coteau (Don Valley East, Lib.): Thank you very much, Mr. Chair.

I hope my sound quality is good for the interpreters. Again, thank you to them for the work they do.

Thank you to our witnesses for being here today.

I live in an interesting community. It's the Don Mills corridor. From about Overlea to Fairview Mall along the corridor, about 100 buildings are going up in the next 10 years. Because of that, we've seen a lot of change with old buildings, for example. The buildings I grew up in, 7 and 11 Rochefort, which are two buildings next to each other across from the Science Centre, are being torn down and high-rise buildings are being put up. We have 100 towers going up.

We've also noticed the larger REITs coming in over the last decade. I believe Mr. Dixon said they're about 5% of the supply across the country. We've noticed an ongoing pattern. This is not something that's isolated.

Compten, I think, was the REIT where there were constant applications for above-guidelines rent increases because there were changes in the building such as elevator maintenance and things that tenants didn't want. Those percentages really go up. There were new parking spaces being placed in different buildings. If I have to go and visit my aunt, for example, because she needs groceries, I have pay now to go and see her. If a PSW comes in, they have to pay for parking. There are other things like the separation of hydro and the downloading of the insurance to these companies.

I guess my question is for Mr. Dixon, as the representative of one of the larger REITs in Canada.

Obviously, as publicly traded companies and large corporations, the bottom line is the bottom line. You have to look for ways to increase revenue.

Do the REITs participate in practices—some of those other services and those pieces I've mentioned—that may not actually impact rent directly, but are more to help boost profits?

● (0915)

Mr. Dan Dixon: Thank you for the question.

Through you, Mr. Chair, I'll start by saying that the vast majority of Canadians are protected by formal rent control regimes in five provinces and administrative rental caps in other provinces. This year, in 2023, the majority will be receiving increases of between 2.5% and 3%.

You've asked about AGIs and other sources of revenue. AGIs apply, as Mr. Irwin spoke about in his opening remark, only to major building systems and long-lived systems, generally speaking. The majority of AGIs get amortized over a 15- to 25-year period. The application of them is capped at 3% in the first three years of application and then they stop. At the end of the amortization period, the AGI goes away.

Mr. Michael Coteau: I have a quick question in regard to affordability.

For the Martin Grove project that you talked about, you said it would be affordable rent.

Do you know what an actual two-bedroom apartment would cost? For example, in my community of Flemingdon Park and Thorncliffe, which is next door, I just found out that a three-bedroom apartment now is above $3,300. That's considered to be a community where rent is supposed to be affordable.

What would the new rent look like in an affordable, new building like this Martin Grove project? Out of curiosity, what is the affordability number?

Mr. Dan Dixon: For the 100 units covered by the city's open door program, rent is capped at 25% of local area income as defined in that agreement.

Mr. Michael Coteau: That's interesting.

Mr. Dan Dixon: To put that into numbers for you, a one-bedroom is approximately $1,300 per month and a two-bedroom is approximately $1,500 per month. An additional 125 units are covered under RCFI program, which caps rent at 30% of local area income. The overall rent roll on those units has to be no more than 90% of the average market rate for the area.

Mr. Michael Coteau: I'm assuming that the $1,300 is a loss to the company. Are there subsidies that come directly from the city to make up for that loss or do you actually make a profit within that range?

Mr. Dan Dixon: The city has provided a subsidy of $45,000 per unit for each of the 100 units covered by the program. They have waived development charges on those units and property taxes for the 25-year affordability period.

Mr. Michael Coteau: It's a 25-year period. Wow.

Mr. Dan Dixon: Putting those things together, the cost of construction is still close to $500,000 per unit for us. However, with the benefits of the RCFI financing and the property tax abatement, we can make this project pencil.

As I said in response to member Aitchison, we would do this project over and over again if there were funds available to do it.

Mr. Michael Coteau: Thank you very much, Mr. Dixon. I appreciate your answers.

Mr. Pomeroy , you talked about a 1970s initiative by the federal government to push forward regulations that impacted the province.

I don't know whether I heard that right. Can you talk a little bit about that for us, please?

The Chair: You'll have to hold that, Mr. Pomeroy.

You could submit it in writing or use your opportunity at another question. We have gone over time.

[*Translation*]

Ms. Chabot, you have the floor for six minutes.

● (0920)

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

Thank you to the witnesses.

This is an important study. In fact, I believe this is the last meeting. We are addressing the research reports on the financialization of housing that were published by the Federal Housing Advocate, and we're taking a serious look at the issue of financialization of the market, including corporate ownership of single-family homes, and the effects of real estate investment trusts on the rental housing market.

So we're here to assess the impact of financialization on national housing strategy programs, as well as on the development of affordable housing—I'm talking about housing that doesn't cost $1,500 a month for a studio—that will remain affordable over the long term.

My question is for Mr. Pomeroy.

The Federal Housing Advocate was quite clear in her 2021–2022 annual report. According to one of her recommendations to the government, "[t]he National Housing Strategy must target its programs to prevent the financialization of rental housing and ensure that its programs do not contribute to the financialization of housing."

Do you agree with this important statement by the Federal Housing Advocate?

[*English*]

Mr. Steve Pomeroy: Thank you for the question. I will respond in English, if that's okay.

Yes, I think there is a need. As the industry representatives have indicated, they are very good at building supply. They can't create housing at affordable levels, simply because it doesn't make a business case and it doesn't make sense. Therefore, it very much is the role of governments to bring in mechanisms, whether that be cheap financing, capital subsidies or ongoing housing allowances, to improve affordability for low-income households that otherwise won't be met by the market.

I think the national housing strategy is certainly the instrument that could and should do that. Currently, even though it is now identified as an $85 billion initiative, most of that funding is in loans, not actual contributions and grants. If we really want to meet the needs of very low-income people, the national housing strategy will need to be significantly enhanced with higher levels of capital contribution and ongoing subsidies.

That's not just a federal role. Certainly the housing allowances are part of the bilateral part of the national housing strategy and could be delivered in collaboration with the provinces which cost-share those ongoing housing allowances. That's critical if we're going to meet low-income housing needs.

[*Translation*]

Ms. Louise Chabot: According to the results of an extensive study you conducted in 2019, the loss of affordable housing is due to two factors: the demolition of old units—

[*English*]

Ms. Jenny Kwan (Vancouver East, NDP): On a point of order, Mr. Chair. I'm sorry, but there is no translation.

The Chair: Madame Chabot.

[*Translation*]

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

I would also like to thank the interpreters for their exemplary work.

Mr. Pomeroy, in a 2019 study, your group of researchers indicated that the loss of affordable housing was explained by two factors. The first is the demolition of old units that are replaced by new ones. The second is the buyout of these units by financialized real estate companies who decide to raise rents to maximize the return on their investment.

With respect to units purchased by these speculators, what is that dynamic's effect on the rest of the rental market?

[*English*]

Mr. Steve Pomeroy: Through you, Chair, in that report, I looked at the number of units renting at affordable levels. I used the benchmark of $750, which is equivalent to affordability for an income of less than $30,000 a year, and found the loss that I mentioned in the opening remarks of $550,000. The cause of that is, indeed, twofold. Member Coteau already mentioned that you're knocking down all the existing structures. It takes them out of the stock. We do lose some of that low-rent stock as a result of intensification policies, which most municipalities are pursuing.

The other factor was, indeed, the increased rents that occur as a result. The term “financialization” tends to be used as a short-form code for these increases in rents. I think the important point here is that purchasing assets with the intent of increasing yield by raising rents is not the exclusive preserve of real estate investment trusts. There is a wide range of investors. We hear many media stories of individual investors purchasing a single-family house or a duplex, where they're doing the same thing. Small investors buying small apartment buildings are doing the same thing. It's the fact that they can, that the rent regulations allow them to do this to increase their potential yields. That actually encourages and enables that kind of behaviour.

I think that behaviour is endemic across many classes of investors. Some do it in legal ways, because the laws allow them to increase the rents; and some tend to bend the rules a little bit, particularly the small investors. However, [*Technical difficulty—Editor*] 57% of no-fault evictions last year. A national statistics source identified the fact that it was the small investors who were the ones actually causing more evictions than the large institutional and corporate landlords were.

I think we have to make sure that we spread our study wide enough to capture all of the actors in this system.

● (0925)

[*Translation*]

Ms. Louise Chabot: My next question will be brief.

The National Housing Strategy includes several programs and is funded with public money. I'm not talking about existing regulations in cities, in Quebec and in the provinces, because those mostly fall under their jurisdiction. Through the National Housing Strategy, we want to ensure that there is affordable housing stock.

Shouldn't all programs be geared towards supporting non-market housing and private, financialized housing?

The Chair: Ms. Chabot—

[*English*]

Mr. Steve Pomeroy: I assume that question is still to me.

The Chair: Yes, but we're—

[*Translation*]

Ms. Louise Chabot: Mr. Pomeroy, if you don't have enough time to answer, I would ask that you provide us with a written reply.

[*English*]

The Chair: Give a short answer, then, for Madame Chabot.

Mr. Pomeroy.

Mr. Steve Pomeroy: On the one hand, it sends direct, limited fiscal resources to those most in need.

The problem here is that we have a systemic problem in the housing system. If young households can't afford to buy a home, then they clog up the rental market and add demand, and we're seeing an increase in rents. The national housing strategy needs to be comprehensive in its scope, and it needs to consider how it can make a healthier housing system. If we don't have access to ownership, we will have a knock-on effect in the rental market. If rents go up, low-income people are impacted at the bottom.

I think that in parallel with subsidies and contributions to very low-income people, we also need to make sure that the system encourages and enables the industry and the housing system, as a whole, to be as healthy as possible, which I don't think is currently the case.

[*Translation*]

The Chair: Thank you, Ms. Chabot.

[*English*]

We have Ms. Kwan for six minutes.

Ms. Jenny Kwan: Thank you very much, Mr. Chair.

Thank you to all of the witnesses.

My question is for Mr. Pomeroy.

You mentioned that in 1975 the federal government actually instituted a national rent control initiative in collaboration with the provinces. Could you expand on what happened there?

Mr. Steve Pomeroy: If you recall, in the 1970s we had extremely high inflation. You think it's bad now. It was three times worse back then, with inflation of 13% or 14% and mortgage rates of 20% or 21% in the late 1970s.

As part of an anti-inflationary program, the federal government put in place wage and price controls, where it was trying to address the situation in the same way that currently the Bank of Canada is doing through interest rate increases. A wide range of initiatives took place, one of which was to ask the provinces, because we don't have federal jurisdiction in this area, if they would support the federal government in its efforts to control inflation by enacting rent controls.

It was entirely voluntary on the part of the provinces. Every province in this country put in place rent controls as a result of that request. They started unwinding them in the early 1980s, actually to the point where provinces like Alberta no longer have rent control, but they were in place for four or five years and did help to suppress inflation at that point in time.

Ms. Jenny Kwan: Thank you very much.

Do you have any data with respect to I guess the rents in terms of the changes, in terms of the pattern of rent increases during that period?

● (0930)

Mr. Steve Pomeroy: At that time, in terms of rent increases, again, in the 1970s we had a significant number of federal programs that supported rental construction. We had the assisted rental program and the multiple unit residence building mechanism, as well as significant funding for social housing, so we had quite a high level of production of rental housing—the peak years of rental production. We were creating sufficient supply that we maintained relatively healthy vacancy rates, and that stopped significant increases in rents at that period in time.

It was only really after the mid-1990s—and there is a chart in my paper that tracks rental construction—and starting in 1990 that we saw a significant reduction in rental supply, because all of those federal programs ended and the federal government ceased its funding of social housing effectively on December 31, 1993. We moved from a period of high supply and healthy vacancy rates to a period of low supply, tight vacancy rates and upward pressure on rents.

The only offsetting feature, as I talk about in the paper or the brief, is that during that period we had fairly good access to home ownership. Interest rates were coming down. Incomes were rising, employment was rising and, between 1996 and 2006, 800,000 renters became owners. That had the same effect as building 80,000 rental units a year. Even though we weren't building much, we didn't see the effect of that lack of building. It was really a delayed effect, which is now catching up with us. It's really that historical period that matters if you think about things today.

Ms. Jenny Kwan: What I'm hearing from you is that we need both from the federal government; that is, we need the government to actually build social housing or co-op housing and, in addition to that, we also need rent control measures in order to actually dampen the situation we're faced with right now with the housing crisis. Am I correct to understand that? Maybe just a quick yes or no...?

Mr. Steve Pomeroy: Yes, but “yes, but”, in the sense that I've generally been a proponent of vacancy decontrol, because I thought that it did create balance. While existing tenants were protected, it allowed investors to generate returns. Because of the excessive increase we've seen in the last few years, I've changed my view on that, and I think we do need to think temporarily about some way to suppress these very large increases.

Ms. Jenny Kwan: Thank you.

The other question I have is this one. The federal government in the 1990s walked away from housing altogether, but prior to the cancellation of the national affordable housing program in 1993, successive governments—Conservatives and Liberals—also started to cut funding to housing programs, to the devolution...in terms of the subsidies as well. In order to address the housing crisis, do we need the federal government back at the table, aside from construction dollars, but also in working in partnership with the provinces in a cost-shared approach to subsidies to make rent affordable?

Mr. Steve Pomeroy: Yes, and I think that has happened. The national housing strategy was a massive re-engagement of the federal government in 2017 and starting in 2018, but I think the weakness of the national housing strategy is that it has been very much a federal housing strategy and has not engaged the provinces to the degree to which it should and, therefore, lever additional provincial resources to assist in attacking this problem.

Some provinces are independently more active than others—certainly your own in British Columbia—but I think the national housing strategy has to be far more collaborative and far more expansive in terms of its collaboration with the provinces on this issue.

Ms. Jenny Kwan: On the question around subsidies, though, there isn't a current subsidies initiative from the federal government, so this is for the operating side: Do you think the federal government needs to get back into providing operating subsidies on the operating side in collaboration with provinces and territories?

Mr. Steve Pomeroy: You can address the subsidy in two ways: by providing upfront capital grants and by reducing the amount of mortgage [*Technical difficulty—Editor*] that projects have to carry. That has the same effect as giving them a bigger mortgage. You gave them payments to help pay their mortgage, which is the way we used to do things. It's a wash, in terms of that approach.

I think it makes more sense, from a policy point of view, to separately support supply. For households that can't afford that supply, provide them with a housing allowance. Within the national housing strategy, the Canada housing benefit was designed to do exactly that—provide subsidy to households for whom the rents were too high. I think that program is woefully underfunded and should be significantly expanded if we, in fact, want to address the needs of low-income people.

● (0935)

The Chair: Thank you, Ms. Kwan.

Go ahead, Ms. Gray, for five minutes.

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

Thank you to all the witnesses for being here today.

My first couple of questions are for Mr. Irwin.

You sent in a brief and asked that the committee focus on the issue of rental supply, and that governments avoid putting forward restrictions that limit new rental supply.

From your vantage point, are there any new or proposed restrictions in the jurisdiction of the CMHC that are presently limiting Canada's ability to build more rental supply?

Mr. Tony Irwin: In terms of CMHC, we talked a little, earlier.... Through the chair, [*Inaudible—Editor*] engaged Mr. Dixon about the mortgage insurance rates that have been increased. Increasing those now will certainly be detrimental to getting....

We are in a crisis. We don't want to be alarmists, but I think we all acknowledge this is a crisis. We need to keep that at the forefront of all decisions we make. What can we be doing that will help? In times like these, you have to not do things like increasing mortgage insurance and tightening underwriting on loans.

As all the witnesses said—Mr. Pomeroy spoke about it, as well—it's very important that we are able to unlock funding through CMHC, the RCFI, MLI Select and mortgage insurance rates that actually get shovels in the ground and rental housing built. Mr. Dixon talked about all the projects they'd like to be doing. They will provide more affordable rents with support from various levels of government, including CMHC.

We were a bit perplexed over the recent move by CMHC to increase mortgage insurance rates. This is not the right time to be doing things that make it more difficult to get rental housing projects built.

Mrs. Tracy Gray: Thank you very much. I agree, for sure, that there is a housing crisis.

To tag onto that, can you go through the biggest regulatory challenges you would face in adding to an affordable supply of rental and housing units, and what that breakdown would be with different levels of government? Specifically, at the federal level, one example is.... I've read reports about the different tiers of the step code and how that can add to the cost of housing. Although energy efficiency is very important, it adds to cost.

What are some of those different regulatory challenges that affect affordable supply?

Mr. Tony Irwin: When you look at the costs that go into building rental projects and how that squares with being able to provide affordable housing, you've had many witnesses here—whether it was on Tuesday or today—talking to you about the challenges in getting purposeful rental projects built that can also be affordable. It is a big challenge to navigate that.

Whether it is looking at the fundamentals around how long it takes to get projects approved, or the different government fees and charges.... We're seeing, certainly in Ontario—I speak about that, since it's my primary jurisdiction—policy changes to help make that better by giving discounts and deferrals on government fees and charges, because they recognize that's something they can do to help get projects going.

Ultimately, when it comes to affordability, what we're saying is that we require all housing types and all partners at the table. There's a huge need for non-profits and co-ops. We work with a lot of organizations. Habitat for Humanity does great work. We need them at the table doing what they do. We need to be doing what we do. There's an ability, whether it's through different government subsidies, grants or supports—Open Door in Toronto, for example—to get buildings built with affordable components in them.

Inclusionary zoning is a topic that gets a lot of attention. There's an assumption that we oppose that. The response is that we understand what that policy tool is intending to do. As long as we can get the density required to make the project economically viable, we can make that work.

Mrs. Tracy Gray: Thank you.

I just want to add one more quick question here. Based on that, how much would regulatory delays and charges add to the cost of new rental units?

Mr. Tony Irwin: I'm sorry...?

Mrs. Tracy Gray: How much would that add to the costs of rental units, the regulatory burdens and charges you were referring to?

Mr. Tony Irwin: I think it's tough to give a blanket response to how much it is. I think it depends on the project and jurisdiction. The reality is that government fees and charges are a huge cost. If you look at the overall cost of a project, government fees and charges and, I would say, red tape caused by sort of the delays and the time it takes.... Time is money.

Mrs. Tracy Gray: Do you have a percentage estimate, for example, a range that it might be?

● (0940)

Mr. Tony Irwin: I don't know. Maybe Mr. Dixon may well be able to provide a number on that.

Mr. Dan Dixon: There have been various studies that indicate that adding transfer taxes, plus development charges, plus payroll taxes, plus HST self-assessment on the completion of a new rental adds roughly 30% to the cost of a new rental property.

Mrs. Tracy Gray: Thank you very much.

The Chair: Thank you, Ms. Gray.

Now we'll go to Mr. Long and see how his sound quality is.

Mr. Long you have the floor.

Mr. Wayne Long (Saint John—Rothesay, Lib.): Good morning.

Thank you, Mr. Chair.

Good morning, colleagues.

Thank you very much to our witnesses for their presentations this morning.

The Chair: Mr. Long, I'm sorry. Translation advises me that they cannot interpret.

We'll now move to Mr. Collins.

Mr. Collins, you have five minutes.

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

Thanks to the witnesses for attending this morning.

Mr. Pomeroy, I'll start with the student housing recommendation you've made. You've given some very interesting information to the committee past and present as it relates to the impact that students have on the rental housing market. All of us around the table who have a university or a college in our municipality know the strains that student housing can put on a neighbourhood and, by extension, on those people who are looking for an affordable home to purchase or an affordable place to rent.

As it relates to government programming, currently I think we do offer in bits and pieces through the national housing strategy support to colleges and universities for new supply.

What do you suggest in terms of either legislative improvements as part of the strategy or new funding for colleges and universities to assist with that issue?

Mr. Steve Pomeroy: Through you, Chair, yes, international students have become a very, very significant factor in demand. We saw over 650,000 international student visas issued last year. They do displace people in the local rental market.

While a non-profit organization working in collaboration with the university could potentially utilize current programs of the national housing strategy, it's not something that's promoted or encouraged. Given the limited funding, most of them would choose to use their funding for low-income households.

There is a displacement effect. If you build a 1,000 units of student housing, that would stop the displacement of a 1,000 units in the local, low-rent market. It's a very indirect way of impacting on that affordability need. The more important piece is the way that student housing is configured, and there are a number of projects that have been built in Waterloo and in Ottawa. I think they have one in Hamilton as well. You have four students sharing a unit with private bedrooms and bathrooms, and a shared living area.

The rent per square foot of that type of product is very, very high and very, very lucrative. I think there is an opportunity to stimulate and encourage the construction of student housing. It could be done completely through private sector, or it could be done in collaboration with universities, if they happen to have land that they could identify for a site to do that. It would have a hugely impactful effect on displacing this pressure that students are putting on their local market.

Mr. Chad Collins: Thanks, Mr. Pomeroy.

Mr. Dixon, your friend and colleague Mr. Brooks was here at our last meeting. My question to him was: How do we utilize the financial clout of REITs to assist in creating supply, but, more importantly, affordable supply? I think you referenced a project here today that's happening in the GTA that accomplishes that.

What kind of programs or incentives do we need to provide to ensure that the work that you're doing is creating supply rather than taking it out of the system? There has been critique in certain sectors of the country when they look at the impact of REITs on the rental market.

Mr. Dan Dixon: Thank you for the question.

Through you, Mr. Chair, supply is the solution to our problem. With our population growing by a million people in 2022, we absolutely need to build more homes. There are programs, as I discussed, that can help with the supply. The challenge with new supply is it takes many years to come online. With approval timelines and construction timelines, it is a minimum of five years before any project of any size comes online.

Looking to preserve existing affordability is an idea that can have immediate impact. CMHC came out with their MLI Select mortgage insurance product last March. I think it's an excellent product by design, where there are enhanced terms for affordability, accessibility and sustainability. However, based on the feedback that I have heard from big lenders and from other borrowers, the vast majority of the MLI Select that is being issued today is for sustainability. It's not for affordability. I think the issue is that the criteria in that product is set too high. You have to put 40% of the units of an existing building at the affordable level before you get any benefits. The loan benefits do not equate with the loss of economics.

That doesn't mean the project is bad. In fact, I think the project is great. We just need to find the right mix between economic incentives and social incentives. I think if we drop that number to 20% or 10%.... Ten or twenty percent of almost every building is a lot better than 40% of no buildings.

● (0945)

The Chair: Thank you, Mr. Collins and Mr. Dixon.

[*Translation*]

Ms. Chabot, you have two and a half minutes.

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

As you know, our major concern is to see how we can establish a strategy on affordable housing. This is the case in Quebec and in the other provinces. Don’t you think that the definition of “affordable housing” should be reviewed?

In earlier testimony, we heard about the 30% figure. It seems that this notion of 30% varies from region to region. The right to affordable housing means that people shouldn’t have to spend more than 30% of their income on housing. I’m in a riding where people probably have to spend considerably more than 30% of their disposable income on housing.

In your opinion, should we tighten up the 30% criteria, so we have a consistent application and a clear understanding of what’s on offer?

[*English*]

Mr. Steve Pomeroy: Through you, Chair, an affordability metric like 30% is a relative metric. It depends on people's income, so it varies across income bands.

I think moving to a more explicit affordability criterion, as the U.S. has used for many years.... They defined affordability relative to a percentage of median income. A very low income is up to 30% of the median, which is a very low level. There is some analysis from colleagues here in Canada. The HART initiative is actually developing that same kind of metric in Canada.

I think we need to think more carefully about how we define affordability levels when we are asking both non-profits and developers to include affordable units in their projects. Currently, in the national housing strategy, it gets a little bit confusing because they have a number of different streams of funding that all use different definitions. For example, the RCFI definition, which uses 30% of household income for all households, is twice as high as the MLI Select criterion that Dan Dixon spoke about, which uses 30% of renter income, because renter incomes are half that of owners.

If we are concerned about renter affordability, we do need to examine the metric and come up with more a precise and also an absolute number. Rents below $1,000, rents below $800—we need some number as opposed to percentages of income because they mean all things to all people.

[*Translation*]

The Chair: Thank you, Ms. Chabot.

[*English*]

Ms. Kwan for two and a half minutes.

Ms. Jenny Kwan: Mr. Dixon, for the project that you just cited that's being built, can you advise us if the RCFI component for that initiative is under the previous iteration of RCFI?

Mr. Dan Dixon: Through you, Mr. Chair, yes, it is through the previous 90% of the AMR.

Ms. Jenny Kwan: Thank you.

For the waiving of the property taxes, that's for all the units. Is that correct?

Mr. Dan Dixon: That is for the 100 units covered by the open door affordable housing program of the City of Toronto.

Ms. Jenny Kwan: Thank you.

Mr. Pomeroy, to your question about needing to address smaller investors, who are also contributing to the housing crisis, other jurisdictions have have actually put in a measure, especially on the mortgage side. Outside of primary residences, they add an escalating increase for additional property ownership, as a means to try to control the smaller investors coming in to buy up properties.

Do you think that would be an effective measure here for Canada?

● (0950)

Mr. Steve Pomeroy: I'm not entirely sure which jurisdictions you're speaking of there. Some jurisdictions like Australia and the U.K. use tax mechanisms to encourage small investors to invest by allowing them to depreciate their asset against their income or use depreciation against their income.

The challenge here, of course, is that if we want to have a rental sector, we need rental investors. We're trying to find the right balance between encouraging investment and protecting tenants. That's the soft spot we're trying to get to.

Regulation certainly can do that. I can't speak specifically to the examples because I'm unfamiliar with them.

Ms. Jenny Kwan: From your perspective then, the best measure is rent control?

Mr. Steve Pomeroy: No.

Rent control is very good for tenants, but as I'm sure my industry colleagues would suggest, if we suppress rents too much, they simply won't build.

We saw that through the 1990s despite the fact that rent regulation was removed. In Ontario's case, rent regulation was removed in 1998 at the behest of the industry on the promise that if you deregulate we will build. Sixteen years later, they only just started building. I think [*Technical difficulty—Editor*] there's a whole bunch of other things going on in the market. It's rather a blunt instrument. It's desirable to protect tenants, which is why protecting sitting tenants is very important, but over-regulating can have unintended consequences as well.

The Chair: Thank you, Ms. Kwan.

That will conclude the first panel.

We thank the witnesses for appearing this morning and providing answers to these important questions.. We'll suspend for a few moments while we do a sound check on the next panel.

● (0950)

______________________(Pause)______________________

● (1000)

The Chair: Welcome back.

The committee will resume its study on the financialization of housing.

To assist the interpreters, I want to kindly remind all members and witnesses to introduce themselves and to please speak slowly for the benefit of the interpreters.

You may speak in the official language of your choice. Translation services are available here in the room and virtually using the globe icon at the bottom of your surface.

I would remind those appearing not to take screenshots while the meeting is in session.

As well, if there's a breakdown in the translation services, please get my attention and we'll suspend while it is corrected.

Please direct your questions through the chair.

Today we have, from Comité logement Rosemont, Jean-Claude Laporte, community organizer; from the Parkdale Neighbourhood Land Trust, Joshua Barndt, executive director; and from the Skyline Apartment Real Estate Investment Trust, Krish Vadivale.

Welcome to the committee.

We will begin with Monsieur Laporte for five minutes.

[*Translation*]

Mr. Jean-Claude Laporte (Community Organizer, Comité logement Rosemont): Good day. Thank you for inviting me to appear.

I must apologize in advance, because as soon as I've finished my presentation and answered questions, I'll have to leave you, as I'm currently attending a convention.

I would like to begin by thanking the member for Rosemont—La Petite-Patrie, Alexandre Boulerice, as we have him to thank for letting us know about this study by your Committee. That allowed us to submit our brief, which I hope you have read. Normally, the member for Hochelaga, Ms. Soraya Martinez Ferrada, is also present. I wanted to mention her, as the eastern part of the Rosemont neighbourhood is part of her riding. I'd also like to thank the member for Thérèse-De Blainville, Ms. Louise Chabot, who sent us an invitation to appear. In closing, I would also like to thank the clerk and the interpreters, whose services are essential.

Speaking of translation, I'd like to point out that there's still a contradiction, in French and English, between the terms "*logement social*" and "*logement abordable*". In French, "*logement abordable*" means anything and everything, unfortunately, whereas the term "*logement social*" is clearer. It refers to cooperatives, non-profit organizations or low-cost housing. However, in English, we say "affordable housing" to refer to both social housing and affordable housing. So, when discussing social housing, it would be better to say "social housing", as this is more in line with the types of housing in question.

To discuss the financialization of housing, we still need to establish some clear guidelines, because housing isn't just any old thing. I think we all agree that housing is a right. Canada is a signatory to the UN's International Covenant on Economic, Social and Cultural Rights. As housing is a right, it must be financially accessible, healthy and safe. Being safe doesn't just mean that it's well located and there's no danger of being mugged, it also means that you're not at risk of being evicted by a developer because they want to make more money by raising rents or by some other means.

This whole definition of housing, as written in the International Covenant on Economic, Social and Cultural Rights, corresponds to the definition of social housing. It's not expressly stated, but, if we look at the definition of social housing, we see that it's accessible, healthy and safe housing.

If we say that housing is a right, then it's not a commodity; and if it's not a commodity, we must treat it as such. But by financializing housing, we do treat it like a commodity. So, if we say that housing is a right and not a commodity, then we must fight the financialization of housing in all its aspects, whether in terms of taxation, subsidies or construction assistance. All public money, the funds managed by the government, must be invested in social housing. This will put the brakes on speculators who cause housing crises and harm tenant households, mainly those on low or modest incomes.

The aim of the financialization of housing is to make investments to make money. This runs counter to the right to housing. The government has a duty to discourage such dubious practices and, above all, to put obstacles in the way of the people who engage in them. In this sense, Canada's national housing strategy should focus on funding social housing, rather than spreading itself too thinly, as is currently the case, and stop funding developers whose sole objective is profit. Since the money available is not unlimited, we must prioritize government investment in social housing to help low and moderate income households.

● (1005)

Thank you.

The Chair: Thank you, Mr. Laporte.

[*English*]

We will now go to Mr. Vadivale for five minutes. We're still having issues with the next witness.

Go ahead, Mr. Vadivale.

Mr. Krish Vadivale (Vice-President, Finance, Skyline Apartment Real Estate Investment Trust): Thank you.

Good morning. My name is Krish Vadivale, and I'm the vice-president of finance for Skyline Apartment REIT, which owns and operates over 22,000 apartment units and employs over 1,000 Canadians from coast to coast. Skyline is also a direct member of the Canadian Federation of Apartment Associations, or CFAA. I have been a member of that board since 2019, and in the most recent year, served as its chair.

I also happen to be the chair and president of Victoria Park Community Homes, one of Ontario's largest privately run, non-profit housing providers. It owns and manages over 3,000 affordable homes across Southern Ontario, and is currently endeavouring to build an additional 200-plus affordable homes in Hamilton, Ontario.

I would like to begin by addressing what, in my opinion, is a fundamental truth to the landscape of rental housing in Canada. The rate at which rents are increasing today is largely driven by demand for rental housing outpacing its supply.

Before contemplating solutions to this problem, I think one must first understand the causes.

On the demand side, you have a growing population, driven largely by immigration, dovetailed with stricter rules for mortgage qualification that came into force over the past decade. This makes home ownership less attainable to first-time buyers, so they rent.

On the supply side, which is where we operate, you have increasing costs of operation and increasing costs to build. You have a growing “not in my backyard” syndrome, or Nimbyism, with respect to new developments, especially those of the non-profit type. You also have increasingly hostile sounding political rhetoric aimed at the largest providers of rental housing.

To unpack these points further, with regard to operating costs, the breakdown of how $1 of rent is allocated by cost, as presented in the brief submitted to this committee by CFAA, is largely consistent with our own financial measurements. Additionally, over the past three years, we have seen double-digit percentage increases in insurance costs, increases in the cost of labour, and mortgage rates have almost doubled. In contrast, over those same three years, the maximum allowable rent increase for most units in Ontario has totalled just 4.3%.

These factors make building new rental housing projects less attractive, which results in less new rental supply. Over time, the lack of supply drives up market rent at all price points. If the goal is to increase supply, one must either incentivize new housing supply, or remove or reduce current disincentives, including the risk of negative outcomes like vacancy control, which would surely dry up supply.

I would like to conclude with four points.

First, I'll address the concept of financialization. Skyline investors currently receive a 4% yield on their investment. Some of our public market peers pay out less than this. By comparison, for the past few months, the five-year Government of Canada bond yield has hovered at just about 3.5%, which is a near risk-free investment.

Said more simply, rental housing providers are not more financialized than any other investment, especially when evaluated on the trade-off of risk for return. Moreover, if we truly were overearning in economic terms, the rental housing market would already be saturated to a point of economic equilibrium, which we clearly do not see today.

My second point is that at the end of our last fiscal year, Skyline's in-place average monthly rent across Canada was just $1,276 per unit, per month, which on an annualized basis would be just over $15,300. CMHC's definition of affordable housing is rent that costs less than 30% of a household's pre-tax income. This would mean that the average Skyline unit would be considered affordable to households earning a little more than $51,000 per year. According to StatsCan, the average renter household had an income of $54,800 in 2021, which would mean that many of Skyline's units are affordable to many renters today.

My third point is that at Skyline, we value our tenants. We do not conduct renovictions and we never have. Conversely, in recent years, Skyline has gone as far as to create a tenant relief program that provides rent relief to tenants in our portfolio who have fallen on hard times. In 2022 alone, our tenant relief program saved over 200 tenancies.

Finally, at 22,000 rental units across Canada, Skyline would qualify as one of Canada's largest landlords, yet of the five million rental units available in Canada today, we own only four-tenths of 1%. That's not four out of every 100 units, but four out of every 1,000.

If the end goal is to have a rental housing landscape that is dynamic and provides Canadians with choice, both in terms of location and amenities, but is also largely affordable, large operators like Skyline Apartment REIT should be part of that solution, and we want to be.

Thank you for your time.

● (1010)

The Chair: Thank you, Mr. Vadivale.

We'll now go to Mr. Barndt. You have five minutes.

Mr. Joshua Barndt (Executive Director, Parkdale Neighbourhood Land Trust): Thank you so much.

My name is Joshua Barndt. I am honoured to depute here today on behalf of the Parkdale Neighbourhood Land Trust. I'm coming to you from the neighbourhood of South Parkdale in Toronto.

In South Parkdale, 11,000 households are tenants—

The Chair: Mr. Barndt, the interpreters cannot translate due to the sound quality, unfortunately.

Mr. Joshua Barndt: I'm using your device.

The Chair: Yes. I realize that. Two of our members who are using our devices cannot be translated either. My apologies.

At this stage, I have to—

Mr. Joshua Barndt: Will you be compensating me for my time in being here and preparing for this? I'm here for this activity, to depute. I was invited by an MP.

The Chair: Yes. I realize that, Mr. Barndt. Under the rules of the House of Commons, the committee has to have sound quality at a consistent rate that can provide the proper translation. The translators have advised me—

● (1015)

Mr. Joshua Barndt: So my participation is not allowed even though I followed all your instructions.

The Chair: That's correct. The translators have advised me that they cannot translate what you're saying due to the sound quality.

Mr. Joshua Barndt: Can you hear me, sir?

The Chair: I can hear you, Mr. Barndt. The translators cannot.

I have to suspend you, unfortunately. I'll have the clerk reconnect with you.

I will move to the first round of questioning, beginning with Mr. Aitchison for six minutes.

Mr. Scott Aitchison: Thanks, Mr. Chair.

That's frustrating, Mr. Barndt. I'm sorry it's not working.

Krish, I wanted you to speak a little bit more about what the federal government can do to help stimulate more supply. We've heard from a number of witnesses now that we require the private sector and not-for-profit sector to all be in on this business and to all work together to provide more housing.

What can the federal government do specifically to help ensure that organizations like yours can build more units and ensure that a certain percentage of those are affordable or attainable rates for people in greater need?

Mr. Krish Vadivale: That's a great question. I think it aptly covers the main issue at hand.

I don't think I have a better answer than the answer that was provided to this panel previously by Tony Irwin—that is, look at the MLI Select program and just lower the threshold a bit so that building what in effect would be mixed-use with some affordable components would be made more economically viable to builders.

Mr. Scott Aitchison: During our recent study of the national housing strategy, the chief economist from the Canada Mortgage and Housing Corporation made this statement, which I'd like you to speak about and expand on:

> 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.

I'm wondering if you can give your thoughts on those comments.

Mr. Krish Vadivale: My short answer is that I agree with that 100%. To expand on that, as to why I agree that strongly, the REIT space, which is where we operate, really is a platform from which everyday Canadian investors, not necessarily the ultrawealthy, can invest in Canadian real estate to earn a return, and in so doing help support the building of housing across Canada.

As I think you would see from both Skyline's treatment of tenants and many in our peer group, it's not really the large REIT players that are performing renovictions or are in a landlord-tenant board situation trying to evict tenants en masse. We're very much operators who value our tenants and value keeping them in place for the long haul. We value the steady return we get from monthly rents that are achievable with our tenant base. I think having more participants of size that have professional property management is to Canada's benefit rather than to its detriment.

Mr. Scott Aitchison: There are a few of my colleagues in this place here in Ottawa who don't like REITs and who think REITs get some kind of outrageously special treatment by the government and that we should do more to tax them—and, of course, they're big evil corporations. I'm wondering why a big evil corporation like yours would have a tenant relief program. Why do you have that program?

Mr. Krish Vadivale: Again, it's because we value our tenants. It takes a lot of effort to put our tenants in place and we understand that everyone has moments in time in their lives where times are difficult, so we created this relief program to effectively allow for the ability to keep our tenants in place. I think a happy tenant environment is good for business.

Mr. Scott Aitchison: Mike Brooks from REALPAC was here on Tuesday. One of the recommendations he presented to the committee was this concept of creating a code of conduct or best practices code for the industry. Would you support something like that? Could you speak about how something like that might work?

● (1020)

Mr. Krish Vadivale: Yes, absolutely.

I would think there would be some critical covenants one would want to include in there. I think one that at least most large operators would agree to would be that we should not have any renovictions completed. To what extent other similarly styled codes would be incorporated would yet to be determined, but I would suggest I would be supportive of such a code of conduct being rolled out.

Mr. Scott Aitchison: In terms of the mix of private sector and not-for-profit or public sector housing, can you give us a general sense of what you think that mix should be? How much of our housing mix should be provided by the not-for-profit sector?

Mr. Krish Vadivale: I happened to view the hearings. I think it was on Tuesday, June 6, that you had Ray Sullivan on board as well, whose target profile of somewhere between 6% to10% is probably the right mix for community housing.

Mr. Scott Aitchison: I have 15 seconds left, so I think I'll be moving on.

Thank you very much.

The Chair: Thank you, Mr. Aitchison.

[*Translation*]

Ms. Martinez Ferrada, you have six minutes.

Ms. Soraya Martinez Ferrada (Hochelaga, Lib.): Thank you, Mr. Chair.

I would also like to thank Mr. Laporte of Comité logement Rosemont for being here.

Since Mr. Vadivale has answered several questions, I would like to address my questions to Mr. Laporte.

My questions will focus on the document submitted to the Committee. Mr. Laporte, in your brief, you talk about the discrepancy between data published by the Canada Mortgage and Housing Corporation, CMHC, and the data compiled by the Regroupement des comités logement et associations de locataires du Québec regarding rent increases.

Could you briefly explain the difference between the two?

Mr. Jean-Claude Laporte: Thank you for the question.

The CMHC data is good and reliable, but it relates to dwellings that are occupied. It gives us the current picture when it comes to occupied housing.

The study by the Regroupement des comités logement et associations de locataires du Québec was based on 45,000 or 60,000 rental units on platforms like Kijiji. This provided a picture of the number of units available for rent. That is where we see a gap in terms of rent increases.

Both profiles are good, but the one from the Groupement des comités logement gives the true picture of rent increases for rental units. That's what gives us a sense of the state of the market.

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

You also mentioned the issue of law and the fact that, as part of the national housing strategy, the government had adopted an approach based on the right to housing, considered a human right. As you know, housing falls under provincial jurisdiction. In my opinion, this calls for everyone's collaboration.

In your opinion, what concrete measures would ensure the protection of tenants in the context of market speculation, but also against the financialization of the rental market? How might we work with the provinces in this regard?

Mr. Jean-Claude Laporte: I'm not a constitutionalist, but I think there are always challenges when it comes to areas like health, housing or the environment. Notwithstanding the fact that housing normally falls under provincial jurisdiction, the funding and initiative for social housing programs came from the federal government from the 1970s until 1993. I don't think anything has changed since then.

Of course, that would involve good faith on both sides, but, personally, I believe that rather than undertaking specific programs as it did back then, the federal government could set aside sums of money for the development of social housing before negotiating with the provinces. It could ask them if they want their share of this money for development. If they said yes, that money would be earmarked for social housing, and nothing else. The same could be true for many other areas as well.

● (1025)

Ms. Soraya Martinez Ferrada: Mr. Laporte, I understand that your answer concerns the financing of social housing projects.

But let's talk about legislative measures taken by the federal government, including banning foreign buyers to reduce the effects of speculation on the market. It also wants to work on a landlord registry, but also on tax reform aimed at commercial entities that manage rental properties. How do you see the provinces collaborating on this approach to housing rights?

Mr. Jean-Claude Laporte: In the housing sector, bans or restrictions on foreign investors is a useful measure that I believe should be extended beyond the two-year period.

Another possible measure would be to stop renovictions. I don't know who has jurisdiction here, but the idea would be to penalize owners who purchase a rental property and sell it after six months, one year or two years. In a renoviction, the new owners pressure renters to move out, then more or less renovate the property and ultimately sell it. If they don't sell it, which is rare, rents are doubled or even tripled.

Ms. Soraya Martinez Ferrada: You're saying that the government needs to strengthen the rule on property flipping so as not to encourage people to make money on the backs of renters of those units.

Mr. Jean-Claude Laporte: Exactly.

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

I'm sorry, but I need to be quick because I only have 15 seconds left.

[*English*]

Mr. Vadivale, you talked about wanting to be part of the solution. You probably don't have time to answer this now, but if you could do that in writing, what are the measures that the private sector could take to contribute to the housing supply?

The Chair: Give a short answer or a written answer, Mr. Vadivale.

Mr. Krish Vadivale: Very well.

The Chair: Is it a short answer?

Mr. Krish Vadivale: I think contributing more rental housing units would be the first step. That would then create different avenues and different price points that would trickle down from supply, and at least edging closer to demand.

The Chair: Go ahead, Madame Chabot.

[*Translation*]

Ms. Chabot, you have six minutes.

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

I want to sincerely thank the witnesses.

Mr. Laporte, I especially want to thank you. It's been a wonderful discussion. I'm very grateful to you for accepting our invitation, even if it was last minute. Also, we did, indeed, receive the brief you sent the committee, so thank you.

This past week, when we were talking about the impact of financialization, a witness from the Canadian Federation of Apartment Associations said in his remarks to the committee that only a tiny percentage of renters in Canada were renovicted. I see my colleague Ms. Ferrada just reacted to that statement. In your opinion, Mr. Laporte, how would you describe the experience of people in Rosemont with renovictions?

Mr. Jean-Claude Laporte: In our brief, we provided statistics on renovictions over the past two or three years, but they don't reflect the reality. Indeed, that is only the reality of renters who contacted us, so we don't know about all the renovictions.

The federation of apartment owners to which you're referring is correct to some extent: the majority of renters aren't victims of renovictions. If that were true, the situation would be even more disastrous than it already is.

The number of cases in 2021-22 was quite low. Indeed, 168 households in 19 apartment buildings had to move following a significant increase in their rent. Most of those households had to relocate a significant distance from child care, primary schools and other services for children and parents, which is a real tragedy. Indeed, we're talking about human rights, and access to housing is one of them. We can't speak in the same way about the right to housing and the assets of companies listed on the stock exchange or elsewhere. They aren't the same. One seeks to commodify housing, which goes against the right to housing.

● (1030)

Ms. Louise Chabot: We agree with your analysis. Based on your observations, are individual property owners or big financial groups mainly responsible for renovictions ?

Mr. Jean-Claude Laporte: The vast majority, if not all, are investment funds or real estate investment companies. It's the property speculators who are doing the renovictions.

Ms. Louise Chabot: Have renovictions had an impact on renters, in terms of the cost of housing?

Mr. Jean-Claude Laporte: I'll give you a very specific example, one that might not mean much to people from outside Montreal. There was a case involving a renoviction on Saint-Zotique Street, in the heart of Rosemont, and we were helping those renters fight for their rights. Initially, everyone agreed to fight to stay in their units, but the new owner had more than one trick up their sleeve. Ultimately, only three of the 21 or 22 households or individuals who'd been there from the beginning are still living in their units.

You can see that there's money to be made. Initially, the new owner told renters that they would get three months' free rent or help with their moving costs. Then the owner increased the offer to $15,000 to get the renters out. You can understand that those people were really fed up and stressed by that kind of harassment. Eventually, they couldn't take it anymore, and most of them decided to move out and take the $15,000. They might have even gotten more than that, since negotiations were still under way.

Based on what a renter told us, the rent for a two-bedroom apartment went from approximately $700, which is quite unusual, to approximately $1,300 or $1,500. That might not seem like much to someone in Toronto or Vancouver, but the market in Montreal and across Quebec is different. Indeed, it's a good thing that our renters don't have to pay the kinds of rents being charged in a number of cities across Canada. That said, no matter the reason, it's inhumane to put people through that. I understand investors, but—

Ms. Louise Chabot: I'm sorry to interrupt you, but I think my time is up. However, I believe we'll be able to cite your comments as an example.

Thank you very much, Mr. Laporte.

The Chair: Yes, your time is up, Ms. Chabot.

[*English*]

Madam Kwan, you have six minutes.

Ms. Jenny Kwan: Thank you very much, Mr. Chair.

I thank the witnesses for their presentations.

Just to pick up on what Mr. Laporte was saying, while I think that in Quebec the situation that he highlighted there is important to note, what's also interesting is that what's happening in Quebec is also happening elsewhere.

In a previous presentation by Dr. Nemoy Lewis, of the School of Urban and Regional Planning at Toronto Metropolitan University, he testified that:

> A financialized landlord is a purchasing company that is privately held—an asset manager—or a publicly traded company—[i.e.] real estate investment trusts—that acquires rental properties at scale and applies financial logic, metrics and priorities to generate returns to shareholders and investors.

In his study, he looked at a 27-year period in Toronto. He found that this sort of financialized landlord engaged in 40% of the transactions in terms of turning over properties. Real estate investment trusts accounted for 7%, a smaller percentage, which is noted. However, he went on to say:

> REITs do apply the same acquisition and management practices, which...we know, undermine Canada's duty to fufill [the] housing rights for all Canadians.

What's interesting to note in his particular study is that he focused on where the acquisitions were made, and then he also did a comparative analysis in the demographics and found that this was concentrated in targeting the Black population. In his study, he found that "[f]inancialized landlords account for actually 72.86% of all those units that have been transacted in those particular geographies". The most important point in here, and I'm now coming to it, is this:

> ...in terms of displacement problems and financialized landlords. We examined evictions in the city of Toronto over the last four years, between 2018 and 2021. There were approximately just under 63,000 evictions in the city of Toronto. Financialized landlords accounted for 42% of those evictions. In terms of evictions for non-payment of rent, financialized landlords filed just under 80% of those evictions.

He goes on to provide further data. It seems to me that this is not really matching up with some witnesses that say, "Hey, I'm a REIT, and we don't do any evictions". Financialized landlords, some might say, are not engaging in these practices, yet the data from independent studies shows otherwise.

I guess my question to Mr. Laporte is this. You mentioned some of the challenges that you face in the city of Quebec, and that you are seeing evictions taking place. The bottom line is this: Should housing be treated as a commodity or should housing be treated as a basic human right, as a place where people can acquire a home, a place where they can actually feel safe and that they are able to afford?

● (1035)

[*Translation*]

Mr. Jean-Claude Laporte: Thank you for your question.

Indeed, the study you quoted is interesting. I'm inclined to say it's a rhetorical question, because quite simply, if we say that housing is a commodity, it's no longer a human right.

Having a roof over one's head is the foundation for a decent life, one where you can start a family and thrive. Without it, the rest disappears. People wind up with physical and mental health issues and have significant difficulties raising children, who, in turn, have trouble at school.

Stable housing is essential, no matter where in the world you live. I truly understand that investors want to make money. In the current system, they're doing great, but it shouldn't come at the expense of others.

[*English*]

Ms. Jenny Kwan: Thank you.

The housing advocate made a very clear point about how housing should be treated as a basic human right, and I thank you for that answer. I don't think it was a rhetorical question from this perspective, because there is a bit of a debate here. Some people believe that housing should be seen as an investment tool, so I need to hear from witnesses on where they stand with respect to that.

On the question around the private sector—

● (1040)

[*Translation*]

Mr. Jean-Claude Laporte: If I may, I'd like to clarify that I didn't intend to give a rhetorical answer to your question. I simply wanted to say that it's obvious to me. That's why I gave the answer I did. I didn't mean to offend you.

[*English*]

Ms. Jenny Kwan: No, no offence is taken, because I think you see housing from a human perspective, and I think that's why, perhaps, you thought my question was rhetorical. Some people don't necessarily see that; they see it as an investment tool. Thank you for that.

I want to ask a next question with respect to the private sector. Some people will say that the NDP, for example, or those who want to address housing as a basic human right, somehow don't support the private sector, which of course is not true.

In the situation where we are at the moment, with our housing crisis, some witnesses, such as ACORN, have said there should be a moratorium on the acquisition of these older apartments that come into the market, which end up being turned over.

I see a signal from the chair. Quickly, given the current crisis that we're faced with, should we be stopping the acquisition of the housing that comes onto the market from being turned over for financial purposes, at least until we can get a handle on the crisis, and should the private market do new construction?

The Chair: Thank you, Ms. Kwan.

That answer will have to come later, or in written form. We're well overtime.

Ms. Jenny Kwan: Maybe he can give just a yes or no.

The Chair: Okay.

Could you provide a yes or no to Ms. Kwan's question?

[*Translation*]

Mr. Jean-Claude Laporte: Yes, as long as I know how to provide my response.

If I can give a direct answer to that question, it's—

The Chair: Thank you, Mr. Laporte.

[*English*]

Madam Gray, you have five minutes.

Mrs. Tracy Gray: Thank you, Mr. Chair.

Thank you to all of the witnesses for being here.

I have a couple of questions for Mr. Vadivale.

First of all, we heard earlier testimony today that red tape and government costs on housing were approximately 30% of the cost. Would you agree with that percentage? Is that what you're seeing as well?

Mr. Krish Vadivale: I don't have the exact number, but that would ring true to me. It would be in that ballpark, yes.

Mrs. Tracy Gray: How will the increase in interest rates from where they are right now affect the affordability of housing and the supply of housing?

Mr. Krish Vadivale: The increase in interest rates most likely will stall the development of new housing, because, again, as a cost that's baked into the pro formas that are used to calculate whether or not we want to build this, it makes it more expensive.

Then from an investment perspective—not to delve into financial theory here—effectively if your risk-free rate is up, the expected rate of return on any investment across the board is higher. It really makes investors re-evaluate the risk return profile of building new housing.

Mrs. Tracy Gray: In the written submission that you had sent to the committee, you had mentioned that a $400,000 unit build has risen in cost to $500,000.

What would you say would be the largest causes of that increase? Is it government fees, is it inflated costs of materials, is it skilled labour shortage? What would be your analysis?

Mr. Krish Vadivale: It is all of those things. It is the increased cost of labour. It is the increased cost of materials. It is development charges, and of course the ever-growing cost of capital.

Mrs. Tracy Gray: One of the other things that were in your submission as well was your efforts to build an additional 200 affordable homes in Hamilton, but you also mentioned was that there is a rise of Nimbyism, limiting construction on affordable homes.

Can you go into greater detail on the kinds of tactics that you see used to stall construction of new homes, and how those issues might affect the supply of housing?

Mr. Krish Vadivale: I can't say specifically with that project, but in general I think the tactics that are used are to try to suggest either that a building is too high or that the surface area coverage is too much in an attempt to effectively reduce the number of affordable homes that can be in there.

Another one would be to push for underground parking as opposed to above-ground parking, which effectively will reflect on the feasibility of the building, forcing you, from a pure economics perspective, to have a higher mix of market-affordable rent.

● (1045)

Mrs. Tracy Gray: What would you say are the biggest regulatory challenges that you face in adding to the affordable supply of rental and housing units?

Mr. Krish Vadivale: It's funding.

Mrs. Tracy Gray: It's access to funding.

Mr. Krish Vadivale: Yes.

Mrs. Tracy Gray: There was a report by the C.D. Howe Institute last month that identified municipal and provincial regulation as a significant burden of regulatory costs on new builds.

Do you have any comments on that?

Mr. Krish Vadivale: I would say that's likely true, especially if you contemplate time as a cost.

Mrs. Tracy Gray: Do you mean the time it takes for—

Mr. Krish Vadivale: That's in terms of delays.

Mrs. Tracy Gray: It's delays and time for construction.

Adding to that cost, presumably you're financing it during that time, so then with the length of time, the costs just keep going up because you're not able to—

Mr. Krish Vadivale: Yes.

Mrs. Tracy Gray: I have a few more seconds here.

Can you go into a little bit more detail on some actionable items the federal government can take, whether it's different regulatory forms or through the CMHC, to assist in the affordability of housing?

Mr. Krish Vadivale: Sure. Like I mentioned earlier, access to more funding through the CMHC for reducing the threshold through MLI Select or any development of any new tools in the tool box for what can be used to incentivize new housing development would be great.

From the affordability perspective, a fund to target acquiring old-stock buildings and moving them from the for-profit to non-profit realm would also help shore up the community housing element in the overall mix of housing supply.

In part, to combat Nimbyism through making available—

The Chair: Thank you, Mr. Vadivale.

We'll conclude with Mr. Collins for five minutes.

Mr. Chad Collins: Thanks, Mr. Chair.

My questions would follows the same themes of those by Mrs. Gray. They would be for Mr. Vadivale.

Sir, we had previous testimony by CMHC about REITs' involvement with the national housing strategy. I think the testimony provided by CMHC was that—

Mrs. Tracy Gray: I have a point of order, Mr. Chair.

My apologies, Mr. Collins, but we're at time at the end of the committee and we do have parliamentary duties shortly.

As much as we'd like to hear some more, perhaps Mr. Collins can write to the witnesses and get some written testimony. We are at time.

The Chair: Okay. We did start late. That's why I was prepared to extend by five minutes, but if I do not have consensus to move beyond the set time....

I don't have consensus. With that, the committee must adjourn.

The committee is adjourned.