

Introduction

The Government of Canada (“the Government”) is pleased to respond to the Report of the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities (“the Committee”) entitled *Financialization of Housing*. The Government appreciates the work, analysis, and recommendations of the Committee on this important topic. The Government has carefully reviewed the Committee’s report and thanks the Committee for the recommendations included therein. It welcomes the opportunity to provide a response to the recommendations and key themes raised by the Committee.

As reflected in the views shared by the many witnesses who participated in the Committee’s study, determining the appropriate response to the financialization of housing requires a balanced consideration of its scope and impact. Some witnesses highlighted the negative impacts of financialization that they have observed and experienced, including renovictions and decreasing supply of affordable housing. Others underscored the important role that the private sector does and can play in making housing more affordable for Canadians by increasing the supply of housing in Canada.

Access to safe, affordable housing is something all Canadians need. Since 2017, the federal government has been re-engaging in affordable housing through its National Housing Strategy (NHS), which has been underpinned by historic investment across a number of federal programs. Since the NHS was launched, however, the housing environment in Canada has changed drastically. That is why the Government has introduced a suite of new measures to address the housing crisis. The Government can, and will, continue to improve the tools it has at its disposal to help solve the housing crisis and ensure Canadians can find and maintain an affordable place to call home.

A detailed recommendation-by-recommendation response follows. The Government looks forward to continuing to collaborate with the Committee on these important topics and welcomes the opportunity to provide updates as it continues to work to tackle the housing crisis.

Committee Recommendation 1: *That the Government of Canada, as soon as possible and in partnership and cooperation with the provinces and territories, develop an acquisition fund to be made available to non-profit and cooperative housing organizations and governments to preserve and expand affordable housing stock.*

The Government of Canada supports this recommendation in principle as efforts should be made to maintain and grow non-market housing in Canada. An acquisition fund is one tool among many that can support non-market housing. Exploring ways to support non-market housing continues to be a priority for the Government in its work to address supply challenges and maintain housing affordability.

Existing programs, including the Affordable Housing Fund (formerly the National Housing Co-Investment Fund), the Rapid Housing Initiative, and the Federal Community Housing Initiative, help the community housing sector to preserve (repair and renew) units, expand its stock and provide affordable housing to more households. For instance, as of September 30, 2023, the Affordable Housing Fund has committed \$7.49 billion to support the creation of 31,589 new units (including 20,867 below-market) and the repair/renewal of 128,959 units (including 117,659 below-market). The Federal Community Housing Initiative has provided over \$42 million to extend subsidies to 25,706 households and \$106.78 million in rent assistance was provided to 9,216 low-income households, supporting 47,211 community housing units. Other existing NHS programs, such as PT Priority funding, permit acquisition activities. Newer initiatives, such as the Co-operative Housing Development Program announced in Budget 2022, will support affordability, and provide diverse options across the housing continuum.

The opportunity to acquire buildings must be grounded in a broader strategy to build capacity, sustainability, and scale to the sector. The Government of Canada recognizes the valuable work of the community housing sector and continues to explore avenues to best support the growth of this sector.

Committee Recommendation 2: *That the Canada Mortgage and Housing Corporation work with provincial and territorial partners to increase the amount of capital funding available to non-profit and public housing providers, with the goal of boosting the affordable housing supply as quickly as possible.*

The Government of Canada supports this recommendation and has a long history of providing funding, including through provincial and territorial partners, to increase the amount of capital funding available to non-profit and public housing providers. Through the NHS, the federal government has increased investments in provincial and territorial housing programs. Provinces and territories cost-match roughly half of this total investment and provide ongoing operating, maintenance and wraparound funding to ensure continued project viability.

The Government of Canada and provincial and territorial governments have an existing, long-established, inter-governmental forum to continue work with the goal of boosting the affordable housing supply.

The Rapid Housing Initiative

The Rapid Housing Initiative was first launched in October 2020 to help address urgent housing needs of vulnerable Canadians through the rapid construction of affordable housing. The initiative represents a \$4 billion investment and provides up to 100% in capital contributions.

Through the three rounds of the Rapid Housing Initiative, 15,600 units of deeply affordable housing have been committed. As of September 30, 2023, 4,700 of the units have been completed.

Federal/Provincial and Territorial NHS Initiatives

The federal government has bilateral agreements with all 13 provinces and territories representing over \$15.2 billion in joint funding over 10 years (2018-19 to 2027-28) to protect, renew and expand community housing, and support provincial priorities related to housing repair, construction and affordability.

Initiatives under these bilateral agreements cover four streams: PT priorities, the Canada Housing Benefit, Northern Funding, and the Canada Community Housing Initiative.

The PT priorities stream include supports for regional needs and priorities, such as increasing the affordable housing supply, maintaining existing stock, and providing financial support to vulnerable Canadians. The Canada Housing Benefit provides affordability support directly to households in need through programs co-developed with each province and territory to reflect their unique context and circumstances. Northern Funding helps address the unique needs and challenges faced in the North with additional funding for each of the three territories to enhance the other initiatives. The Canada Community Housing Initiative provides predictable, long-term funding to protect, regenerate and expand social and community housing, including social housing under legacy programs for urban Indigenous households in need.

The Canada Community Housing Initiative

The Canada Community Housing Initiative provides predictable, long-term funding for provinces and territories to protect, regenerate and expand social housing through ongoing support to social housing providers delivering subsidized housing to low-income Canadians, including housing for urban Indigenous households facing hardship, through pre-existing programs.

Provinces and territories cost match the federal investment for a total investment of \$8.6 billion. They have flexibility to allocate these funds in a manner that aligns with the requirements of their community housing sector. This includes initiatives such as increasing supply, selecting units for preservation or redevelopment, and determining the depth of funding, as long as the federal, provincial, and territorial Housing Partnership Framework principles are upheld.

Affordable Housing Fund

The \$13.2 billion Affordable Housing Fund is a flagship initiative of the NHS. Launched in 2018, the Fund provides low-interest loans and contributions for the construction, repair and renewal of affordable housing supply, prioritizing vulnerable populations. In addition to mixed-income housing projects with below-market units, the program supports non-revenue generating units (e.g. shelters, transitional housing). These types of units support the housing needs of Canada's vulnerable populations. To build more affordable housing for the most vulnerable Canadians, the 2023 Fall Economic Statement announced an additional \$1 billion over three years, starting in 2025-26, for the Affordable Housing Fund. This investment will support non-profit, co-op, and public housing providers to build an additional 7,000 new homes.

Co-Operative Housing Development Program

The 2023 Fall Economic Statement also announced an investment of \$309.3 million in new contribution funding for the Co-operative Housing Development Program. Together with funding announced in Budget 2022, this will make \$500 million in contributions and approximately \$1 billion available in loans to build new co-operative housing. Canada Mortgage and Housing Corporation (CMHC) is working to launch the program in 2024.

Committee Recommendation 3: *That the Canada Mortgage and Housing Corporation increase requirements relating to the level and duration of affordability for funding delivered through National Housing Strategy programs.*

CMHC regularly assesses its National Housing Strategy programs and their effectiveness in achieving their intended outcomes. This includes reviewing NHS program affordability requirements based on the program objectives and target population group.

To align with policy objectives, strategies and funding parameters, NHS housing programs purposely incorporate different minimum affordability requirements as part of their program design.

For example, the Affordable Housing Fund must provide a minimum depth of affordability where 30% of units must be less than 80% median market rent and remain affordable for a minimum of 20 years. Also, as a mandatory minimum requirement under the Apartment Construction Loan Program, a minimum of 20% of units must have rents affordable for Canadians at or 30% below the median household income in the subject market. In addition, under the Rapid Housing Initiative, all units must meet the affordability criteria, which requires rents not exceed 30% of the tenant's income, for a minimum of 20 years.

There is no one-size-fits-all way to measure or address housing affordability. This is why the NHS consists of complementary programs and initiatives that aim to address housing needs across the housing continuum, prioritizing populations made vulnerable while also creating a balanced supply of rental housing available in the market.

NHS programs and initiatives work to improve affordability in different ways, depending on the housing needs they are trying to address. This includes funding direct rent subsidies to low-income households, providing contributions and low-cost loans for the creation of non-market and below-market housing units such as shelters, supportive housing and non-profit housing, as well as offering low-cost financing for the construction of purpose-built rental units to ensure that an adequate supply of rental apartments is available at or near the market rate.

Reviews of the outcomes achieved by the NHS are part of the regular process CMHC has in place to support continuous improvement. In support of the policy development process, CMHC undertakes analysis and modelling to consider the impacts of adjusting program criteria, including affordability minimum requirements. As per Office of the Auditor General and HUMA recommendations, CMHC has reviewed program affordability minimum requirements. Other reviews include regular program evaluations, the NHS Take-Stock, and the Triennial Report to Parliament. The NHS program affordability criteria will continue to be assessed based on results achieved to date and policy priorities. This will be used to inform recommendations on potential changes to program design, including program minimum affordability criteria.

Program affordability duration requirements also take into account the longer-term financing risks faced by proponents. In the case of the Apartment Construction Loan Program, which provides loans for a period of ten years, proponents face a risk of increased cost at refinancing in the event that interest rates increase significantly over the course of the term. Extending affordability requirements beyond the 10-year term of the program is a risk to longer-term viability of projects. In the context of the Affordable Housing Fund, which has an affordability duration requirement of 20 years, the majority of proponents are mission driven organizations or levels of government that provide affordable housing. As such, it is anticipated that affordability could reach beyond the 20 years during which it will be monitored.

Committee Recommendation 4: *That the Government of Canada examine the social and economic costs and benefits of the current tax treatment of Real Estate Investment Trusts (REITs) and assess the option of taxing REITs like other corporations, including the potential impact on the supply of affordable rental housing, as well as rental housing as a whole. That it design tax treatment options to ensure it encourages creating new affordable housing units.*

While large corporate investors own a significant share of Canada's rental units and must play an important role in solving the housing crisis by building new homes, the Government recognizes that too many Canadians have experienced renovictions, above-guideline rent increases, and other actions that have made rent more expensive. More needs to be done to ensure these rental units are affordable for Canadians, which is why it is best to consider policy changes applicable to large corporate landlords to ensure best outcomes on affordability and fair treatment of tenants without undermining the important role the private sector must play in building more rental housing for Canadians.

Committee Recommendation 5: *That the Government of Canada implement tax measures to incentivize private sector and non-profit investment in the construction of affordable rental housing, including through tools such as, but not limited to, tax credits, tax exemptions or deferrals.*

The Government has taken recent action to implement tax measures to incentivize private sector and non-profit investment in the construction of rental housing.

On September 14, 2023, the Government announced that to incentivize the construction of much-needed rental homes for Canadians, it would introduce a 100% rebate of the Goods and Services Tax (GST) paid on new purpose-built rental housing, which would generally include rental developments designated for long-term rental that contain four private apartment units or at least 10 private rooms or suites. The 100% GST rebate would apply to new purpose-built rental housing, and co-operative housing units for which construction begins on or after September 14, 2023, and before 2031, and for which construction is substantially completed before 2036. Legislation in respect of the commitment was introduced in Bill C-56, the *Affordable Housing and Groceries Act*, which received Royal Assent on December 15, 2023.

Committee Recommendation 6: *That the Government of Canada immediately investigate providing tenant support resources to municipalities, provinces and non-profit tenant support stakeholders to address eviction and affordability matters for those residing in private market rental housing.*

While all levels of government must play a role in solving the housing crisis, landlord and tenant relations fall within the sole jurisdictional authority of provincial and territorial governments. At the provincial, territorial, and municipal level across Canada, there are programs that provide financial assistance to organizations focused on supporting tenant engagement, facilitating improved access for tenants to housing-related information, or creating tenant associations within the communities.

To demonstrate leadership in the space, the Government of Canada provided \$10 million over four years (2019-2023) to fund the Community-Based Tenant Initiative as part of the approach to progressively realize the right to adequate housing. The Initiative was delivered by the Community Housing Transformation Centre.

The Initiative provided funding to local organizations whose purpose, objectives or related programming included promotion of access to information and housing related capacity building resources for tenants. It helped ensure that tenants of community housing have access to resources to participate in housing decision-making processes and can seek information on housing options. Resources available include resources that aim to communicate how to apply the right to adequate housing to special circumstances, how to identify systemic issues and how to engage with human rights mechanisms established by the *National Housing Strategy Act*.

For its duration, the Community-Based Tenant Initiative complemented the Department of Justice's Public Legal Education and Information program, which seeks to address all aspects of legal information for Canadians by providing funding to designated organizations in each province and territory.

Committee Recommendation 7: *That the Government of Canada assess the current suite of federal benefits supporting low-income renters to ensure they have the income supports they need, including through the Canada Housing Benefit.*

The federal government supports this recommendation. Launched in 2020, the Canada Housing Benefit has been carefully developed to address the housing needs of local communities. The objective of the Benefit is to alleviate the housing needs of some of Canada's most vulnerable individuals by offering financial assistance directly to households in need, enabling them to afford their housing costs.

Provinces and territories work closely alongside the federal government in developing, implementing, and sharing the costs associated with the program. An investment of \$4 billion from 2020 to 2028 has been committed with thirteen separate Canada Housing Benefit programs customized to address the unique housing affordability challenges experienced in each province and territory.

To effectively assist those in housing need, the Canada Housing Benefit provides financial housing supports directly to families and individuals in need, prioritizing vulnerable groups, households in existing or new community housing, and vulnerable homeowners in severe housing need. Additionally, the Benefit can support homeowners in severe housing need in areas where affordable housing options are limited.

As of March 31st, 2023, 149,741 unique households across the country have been supported by the Canada Housing Benefit. Budget 2021 announced additional federal funding of \$315.4 million to be cost-matched by provinces and territories from 2021-22 to 2027-28, through the Canada Housing Benefit, to increase financial assistance for survivors of gender-based violence to help with their housing costs.

In 2022 and 2023, the federal government also provided at \$500 top-up to the Canada Housing Benefit to 801,560 Canadians, as of April 13, 2023, struggling with the cost of rent across the country.

Committee Recommendation 8: *That the Government of Canada strengthen reporting requirements for the beneficial ownership of property, including by proceeding with the implementation of a publicly available beneficial ownership registry as soon is feasible, in partnership with the provinces and territories.*

The Government of Canada supports this recommendation in principle and will examine it further. Specifically, the Government agrees with and has taken action to implement a publicly available beneficial ownership registry for corporations. Bill C-42, *An Act to amend the Canada Business Corporations Act and to make consequential and related amendments to other Acts*, which establishes a public beneficial ownership registry for federal corporations, received royal assent in November 2023. The requirement for federal businesses incorporated under the Canada Business Corporations Act to file information on individuals with significant control took effect on January 22, 2024. The registry will be scalable to allow access to the beneficial ownership data held by provinces and territories that agree to participate.

Budget 2023 announced that the federal government will continue calling upon provincial and territorial governments to advance a pan-Canadian approach to beneficial ownership transparency to strengthen the fight against money laundering, tax evasion, and terrorist financing.

The Government of Canada will continue to examine its role in promoting beneficial ownership transparency for real estate.

Concluding statement

The Government of Canada acknowledges the potential impact of the financialization of housing on access to affordable housing and recognizes that there is more work to be done to ensure that all Canadians have access to a safe and affordable place to call home. The federal government is already taking steps to address the recommendations in the report and will continue working with all orders of government, private and non-profit sectors, partners, and experts to find new and innovative solutions to address housing supply and affordability.