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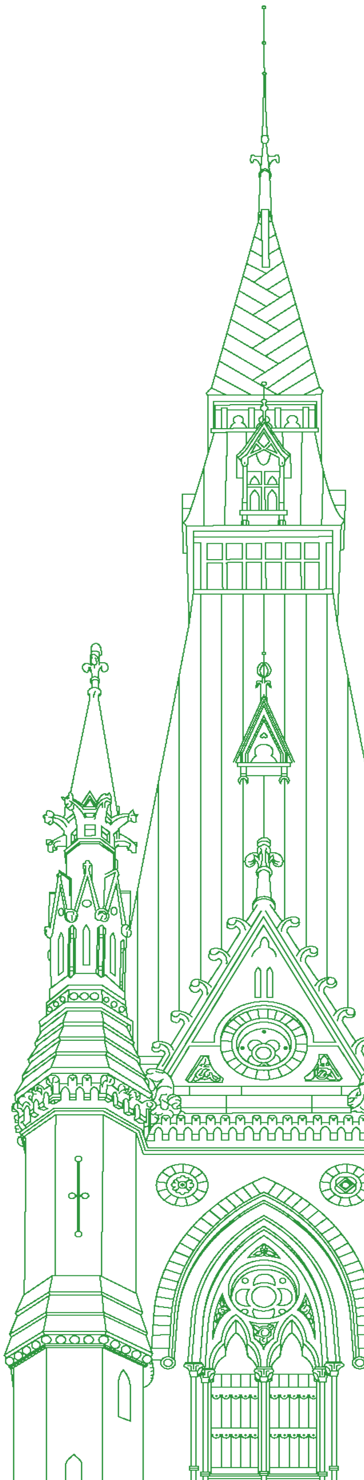

Chair: Mr. Robert Morrissey

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

Thursday, May 12, 2022

● (1615)

[*English*]

The Chair (Mr. Robert Morrissey (Egmont, Lib.)): Good afternoon, committee members and witnesses.

I call this meeting to order.

Welcome to meeting number 23 of the House of Commons Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities.

Today's meeting is taking place in a hybrid format. Some people are appearing virtually, including committee members, and the rest are present in the room.

I would expect all of us to follow the existing safety protocols related to the pandemic while we're here.

For members participating virtually, use the interpretation services at the bottom of the screen. As well, for those in the room, interpretation services are there. I would ask any member to notify me if we lose interpretation services, so that we can suspend while they are being corrected.

Welcome to the committee today, Monsieur Trudel from the Bloc Québécois, and Mr. Morrice from the Green Party.

I would advise members appearing on the screen to use the “raise hand” icon to notify me when they want to get my attention to be recognized. As well, would members in the committee room raise their hand. I will maintain a speaking order as identified.

I want to thank the witnesses for being here today and for understanding our delay, because the Commons does take precedence.

I had an early discussion with members of the committee and if I have agreement, we'll proceed with all of the witnesses giving their opening statements at once, and then we will go into a full round of questioning to conclude the meeting.

Do I have consensus from committee members to proceed that way?

Some hon. members: Agreed.

The Chair: Thank you, committee members.

I will identify the witnesses who are appearing.

We have, from BILD Calgary Region, Brian Hahn, whom I spoke to earlier. Welcome.

From the Co-operative Housing Federation of British Columbia we have Thom Armstrong; from the Rose Corporation, Sam Reisman; from the Appraisal Institute of Canada, André Pouliot and Keith Lancastle; from the Canadian Home Builders' Association Kevin Lee; and from the Federation of Canadian Municipalities, we have Daniel Rubinstein.

I would advise each of the witnesses that you have five minutes or less to give your opening comments. I will advise all of you to please stay within the five minutes because our timing is condensed today. Also, when we open the floor to questions, realize that your questions as well as the answers take up the allotted time for the committee member, so if you could be concise, then we will get through all our list of questions.

I will start with BILD Calgary Region for five minutes.

Mr. Hahn, you have the floor.

Mr. Brian Hahn (Chief Executive Officer, BILD Calgary Region): Mr. Chair and members of the standing committee, good afternoon and thank you for the invitation to address you today on a very important matter for Canadians, which is housing supply and home affordability.

I am the CEO of BILD Calgary Region. We are a not-for-profit association representing the diverse voices of approximately 600 member organizations involved in all aspects of land development and the home-building industries. We are part of a three-tiered organization affiliated with our provincial colleagues at BILD Alberta and, nationally, with the Canadian Home Builders' Association.

As you will see, my colleague from the Canadian Home Builders' Association, Kevin Lee, CEO of CHBA, is with me.

The primary goals of our members are to ensure the affordable, vibrant redevelopment of established neighbourhoods and the development of new communities. Accordingly, BILD Calgary Region advocates for affordability, innovation and choice in the new home building industry. Notwithstanding more recent price increases in demand and prices, Calgary region house prices are amongst the most affordable when compared to other major Canadian metropolitan areas. A meaningful measure of credit for that needs to go the the City of Calgary, as well as the municipalities surrounding Calgary, for their effort. Similar recognition is due to our developer, builder, trade and supplier members for their diligence, creativity, innovation and commitment to affordability.

However, in recent years we have seen this house price advantage erode with significant increases in demand as supply struggles to keep pace. As this relative affordability erodes, the prospect of buying a home has become increasingly more daunting for many in the Calgary area, including first-time homebuyers. The matter of market-priced home affordability is often dinner table conversation with our four young adult children. Like my wife and I when we were their age, our children and their partners seek the independence and security of owning their own home.

Our members agree with the aims in the most recent federal budget. Most particularly, to make housing more affordable, more housing needs to be built and building more housing will require investments. Like other groups, we believe there is a common need for bricks and mortar. To achieve this, investment in hard assets is required, particularly infrastructure hard assets that build the capacity necessary to create and connect housing supply.

These types of assets include water, waste water and storm water lines and treatment facilities; transportation infrastructure including public transportation; and other community infrastructure such as fire, police and emergency response stations. Investment in those types of connecting hard assets—sometimes called off-site assets—creates the capacity required to connect new housing supply. Those same hard asset investments leverage the private investment of developers, home builders and others in the value chain, as well as other investments from provincial governments and municipalities to create housing supply. We believe there will be returns for all those investors, including all orders of government that invest. Returns to government and the generation of public wealth will come by way of incremental income taxes, property taxes, utility revenues and the like, which is all driven by associated employment, employment growth and private investment.

Further, we support the goal to incentivize cities and towns that are stepping up to get more housing built. Any program to drive a particular result must have an associated reasonable set of measurement. Simply put, what gets measured gets done.

We encourage fully transparent measurement and reporting of all government funding for housing, including the demonstration of the value-for-dollar on those investments. To support this, we encourage the adoption of a set of guiding principles similar to those adopted by the City of Calgary for their off-site levy program. Those guiding principles could include commitments to financial sustainability and resilience; accounting for the benefits that development brings to municipalities; the competitive attraction of private investment; genuine collaboration and consultation between government and industry; full transparency and accountability in respect of public and developer funds; and alignment and compliance with applicable laws.

Lastly, we encourage all orders of government to support the development of a competitive Canadian supply chain capacity. There may be many lessons to heeded from our collective experience over the pandemic, but competitively improving national self-reliance is almost certainly one that will serve Canadians well in the uncertain international future.

On behalf of BILD Calgary Region and our members, thank you for your focus on the important matter of investment in leading infrastructure in support of housing supply and improving market-priced home affordability for Canadians.

I'm available for your questions.

● (1620)

The Chair: Thank you, Mr. Hahn.

As all the witnesses know, we will first conclude all of the opening comments and then will go to the rounds of questions.

Now we have Mr. Armstrong from the Co-operative Housing Federation.

Mr. Thom Armstrong (Chief Executive Officer, Co-operative Housing Federation of British Columbia): Thank you so much for the opportunity to appear before the committee to discuss the proposed housing accelerator fund.

My name is Thom Armstrong. I'm the CEO of the Co-operative Housing Federation of British Columbia. CHF BC is a province-wide federation of housing co-ops. We serve 260 co-ops with more than 14,000 member households. We're also a group of social enterprises, including COHO Management Services and the Community Land Trust Foundation.

Our main offices are in Vancouver on the unceded territories of the Musqueam, Squamish, and Tsleil-Waututh nations. I pay my respect to the original stewards of these lands.

The government proposes to invest $4 billion in a new housing accelerator fund, with the goal of increasing housing supply in Canada's largest cities by removing barriers to building housing more quickly. I want to start by saying that whether this fund is successful in achieving its objectives will depend in large measure on how it's structured and, more importantly, how it's targeted.

In our view, the government should target its investment in the proposed fund to serve four main objectives. Firstly, build new homes that are permanently affordable to low- and moderate-income households, which are the households that are most acutely disadvantaged in local housing markets. Secondly, free up land for non-profit and co-op developers to reduce the cost of housing development. Thirdly, incentivize partnerships between municipalities and the community housing sector and its developers, such as Community Land Trust, to increase the supply of non-market housing in larger municipal centres. Finally, allow municipalities to prioritize the acquisition of existing, purpose-built rental properties by the community housing sector if and where it can be shown to achieve the same or similar net outcomes in affordable homes.

I'll speak to each of these very briefly.

First, on targeting, some citizens are clearly more challenged than others when finding affordable housing. There's scant evidence to suggest that investing in untargeted new supply will improve housing affordability. We suggest that disbursements from the fund should be made based on measurable performance targets tied to median rents and incomes, and reserved for homes that will not be investor-owned. As the cost of money, supplies and labour all increase—we're seeing this daily and weekly—grants will be needed to fill the equity gap that's currently a significant barrier to affordability. These grants can come from the fund or they can be combined with funds from other programs under the umbrella of the national housing strategy. The point is that they need to be stacked and they need to be automatic, not subject to individual or separate application processes.

Secondly, the fund should be structured to create incentives for municipalities to provide land at nominal rates to community housing developers. I know free land is not enough these days to guarantee affordability. I wish it was, but without it, we have no chance.

Thirdly, in some parts of the country—I'm thinking of Vancouver and Toronto—community land trusts and other social-purpose housing developers are leveraging partnerships with municipalities to build entire portfolios of permanently affordable non-profit and co-op homes. These homes become even more affordable over time as they're held out of the market and operated on a not-for-profit basis by capable, community-based housing providers. The funds should encourage an expansion of these partnerships to build even more permanently affordable homes. In Vancouver, our community land trust is in the process of adding 2,300 new non-profit and co-op homes to various communities in the province that start at an average of 60% to 75% of average market rents, and those only get more affordable over time.

Finally, I wouldn't have imagined I would be saying this if I had been speaking to this issue six or 12 months ago, but as financing and development costs continue to increase, it may be prudent in some markets and during some economic cycles to consider the acquisition of existing, purpose-built rental properties as a complement to new supply. The community housing sector has been advocating for the development of capital programs to facilitate the purchase of older rental properties that are currently targeted by real estate investment trusts and other investors, and deploying some of the fund's resources to this end may slow, if not reverse, this growing loss of affordable homes in overheated rental markets.

In summary, the housing accelerator fund can have a positive impact on housing supply and affordability, but only if it is tightly targeted to encourage the development of new homes that will be affordable to low- and moderate-income households, or to fund the acquisition of already affordable homes to move them out of the market into what one commentator called “speculation-free zones”.

Municipalities will not be able to go it alone. Partnerships with the community housing sector will be the key to the achievement of these objectives.

I want to thank you again for the opportunity to speak to this issue today.

● (1625)

The Chair: Thank you, Mr. Armstrong.

Now is Sam Reisman with The Rose Corporation.

Mr. Reisman, you have five minutes.

Mr. Sam Reisman (Chief Executive Officer, The Rose Corporation): Mr. Chairman and members of the committee, thank you for the opportunity to share some ideas with the standing committee. I'll briefly touch on some initiatives that I think are working, ones that might be expanded, and other novel approaches. My comments are generally directed towards purpose-built apartment buildings in major urban centres, but they may apply to other locales.

The Rose Corporation is a private developer that currently involved in the development of more than 600 units in York Region, 150 of which fit into some level or definition of “affordable”. In 2017, we completed the first purpose-built rental development in the region, literally, in generations. That's a problem. Our observation is that all purpose-built rental housing is good for the community and remains the least expensive form of conventional housing.

CMHC's commitment to shelter every Canadian in a home they can afford by 2030 is laudable, and their programs are forward-thinking, but they cannot accomplish this alone. Affordable housing will require all levels of government to buy in and do their part.

Fundamental changes of perspective need to be made to confront the challenges head-on, first by beginning to recognize that this is a crisis that has been generations in the making, and it will take generations to get it right. It follows that we must collectively recognize that affordable housing is a long-term investment whose benefits are also realized over an extended time frame. Using measurements that overemphasize short-term metrics in early years will lead to a suboptimal result.

Second, government policy impacting affordable housing needs to be well-coordinated. Currently, federal, provincial, regional and municipal governments are largely acting as independent agents. The result, from what I've recognized and seen, is a mishmash of incentives that literally don't speak to each other. Even same word, “affordability”, is defined by each government agency very differently.

While CMHC's programs are far and away the most cohesive and well-thought-through, enlisting the other levels of government on a set of consistent values, flexibly applied would result in expansive and cost-effective programs.

The following are some recommendations.

Given the current circumstance, CMHC should establish a liaison office to coordinate the various government initiatives and stimulate others. A sliver of the $4 billion would help accelerate this, and I can't overemphasize the value of doing so.

Another suggestion is to eliminate CMHC's requirement to retire mortgage debt for the duration of affordability. What that effectively means is having interest-only loans on certain qualified buildings.

Third, develop new market-priced apartment buildings that are immediately placed under rent control. We saw the experiment in Ontario effectively by accident when Ontario, really in a haphazard manner, threw on rent control from the 1970s on. When the industry changed, it turned to condominiums, but in the meantime, paradoxically, it formed a whole category of affordable homes that many people are living in now, which provide, basically, the affordable rental stock that we see. So, if we put them immediately under rent control now at market prices, we'll find that this solves a longer term problem.

I have some simple examples of cost or risk reductions.

Remove the requirement to assess HST on all new rental developments. That would reduce rents by about five per cent. Property taxes, although a provincial matter, are the single largest component of operating costs of an apartment building—about 10%. The province, working with the federal government and coordinating with them, could encourage the creation of lower property tax assessment classifications for new apartment buildings. There's a compelling rationale, which I can't go through here, for the assessment to run about 50% of the normal rate. A 50% reduction in property taxes would reduce rent by five per cent.

Interest rate fluctuations are the single greatest constraint in underwriting new apartment developments. Currently, CMHC goes a long way in mitigating that risk through its RCFI program. Nonetheless, the debt service payments change wildly as rates change. I suggest that, to qualified buildings and qualified developers, the payments be fixed even as the rate may vary. Development charges are about 10% of cost. If they were deferred, then rents could be reduced by approximately seven per cent. This has been a very effective policy in York Region, and the program should be expanded.

● (1630)

Land values are more variable, but as a percentage of cost, for the purpose of discussion, they can be pegged at around 10%. If the federal...provided grants, that would provide 7% of reductions.

In the last five points, I've identified cumulatively how rents could be reduced in an entire building by 25%, and by simple math it would be 50% if it were half the building.

Stepping out of my area of expertise, I would suggest that a negative income tax directed at subsidies to individual low-income families strikes me as a very efficient way to do it. Subsidies as low as $500 per month would dig deeply into the affordability crisis, and $1,000 per month would have an immediate, overwhelming impact.

My observations, though anecdotal, I believe would be backed up by research. Creating a sinking fund with the $4 billion, or part of it, to direct it that way would have a very ameliorative effect and could be part of a going forward program.

I know that I'm at six minutes, so I'll stop there.

The Chair: Thank you, Mr. Reisman.

You can follow up on your points in the question round, as I'm sure you'll get questions. Thank you for your comments.

We'll now go to the Appraisal Institute of Canada.

Gentlemen, I forget which one of you was going to make the statement.

Mr. Lancastle, you have five minutes. Go ahead.

Mr. Keith Lancastle (Chief Executive Officer, Appraisal Institute of Canada): Thank you very much, Mr. Chair, for the opportunity to be here. We are privileged and honoured to be before the committee today. We appreciate the opportunity to provide our comments on the design and rollout of the proposed housing accelerator fund, as well as to provide some suggestions regarding how the government can build on the federal lands initiative to help increase housing supply.

By way of background, the Appraisal Institute of Canada has over 5,600 members that annually complete over one million appraisals, with a value of over one trillion dollars' worth of real property. Our members provide independent third party opinions of value on residential, commercial, agriculture and industrial real property. This also includes machinery and equipment.

Professionally qualified and designated appraisers continue to be an essential part of Canada's real estate market. Working alongside home builders, realtors, mortgage brokers, developers and homebuyers, appraisers form an integral part of Canada's real estate market. Our members work to meet internationally recognized evaluation standards that help to mitigate risks and stabilize the real estate market by ensuring that lenders, insurers, consumers and others make informed decisions. Appraisers also work with governments at all levels to ensure values are accurately expressed and that policy objectives are met. This includes work on property tax, feasibility studies, expropriation, as well as acquisition and disposition.

As a self-regulatory body, we have a strong focus on consumer protection. We maintain a rigorous disciplinary process and provide a mandatory professional liability insurance program to help protect consumers and our members' clients.

We are also proud to say that we have recently created a council on equity, diversity and inclusion to expand opportunities for aspiring appraisers and to do our part to help combat bias and discrimination in the real estate market.

Now for the subject and discussion that is before us today, which is addressing Canada's housing crisis by, in part, bringing on additional housing supply to the market.

I should say that rising housing prices is not a new issue. Over the past decade, federal government policies have been primarily focused on addressing the demand side of the housing continuum. While recent investments in affordable housing and the first-time homebuyer incentive have helped to alleviate some of the pressures on the housing market, more can and needs to be done.

The pandemic has highlighted the need for more targeted policies to help increase the supply of housing in Canada. While affordable housing initiatives have had some positive impact, housing affordability continues to be a major issue for middle-income Canadians. Demand is expected to persist given several factors, including strong household formation and immigration rates that are set to return to prepandemic levels.

Supply and demand factors have historically shown themselves to be one of the major drivers of housing prices. When supply is curtailed, appraisers will see prices go up, sometimes dramatically. However, when supply increases, the competition decreases, which will, over time, put downward pressure on housing markets and prices. Regardless of what may or may not happen over the next 12 to 18 months in terms of interest rate increases and other macroeconomic uncertainties, the need for more housing units remains.

Increasing the housing supply cannot be achieved without collaboration and coordination amongst all levels of government. While there is no silver bullet or single policy that can change things overnight, we do believe supply is perhaps the most key solution to a more balanced marketplace.

The newly-announced, but yet-to-be-launched housing accelerator fund is, in our minds, a step in the right direction, but it must be implemented rapidly and should focus on housing affordability independent of and in addition to efforts focused on affordable housing. The fund must address the key challenges to new supply, which by all accounts include municipal restrictions or hurdles such as zoning, land use and development restrictions and timelines, while recognizing that Nimbyism will continue to be a factor.

Incentives to encourage efficiencies in permitting and approvals should also be included. Automation of those processes could alleviate much of the administrative burden and compress timelines.

We also believe that other initiatives should be considered, such as the Government of Canada requiring that infrastructure grants only go to areas that have mechanisms that allow for expedited development. Supporting provinces and municipalities in addressing these challenges, whether it be financially, or in some cases—and perhaps more importantly—politically, will go a long way in delivering new supply to the market.

In terms of the federal lands Initiative, whether it is to build, replace or repair existing infrastructure, or to ensure special projects are completed effectively and efficiently, government needs to make these complex and at times difficult decisions in an inclusive and consultative way, while ensuring a timely and appropriate delivery.

The importance of these decisions makes it vital that the right expertise and experience is applied throughout the decision-making process. That expertise should always include opinions of value prepared by professional appraisers.

● (1635)

Buying property or a place to call home is a major milestone in all Canadians' lives, and appraisers from across Canada look forward to working with government at all levels to protect Canadians and help them make informed decisions.

Mr. Chair and honourable members, we appreciate the chance to be here with you today and to share our feedback. We look forward to questions or comments you or your colleagues may have.

Thank you very much.

The Chair: Thank you, Mr. Lancastle.

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

Mr. Kevin Lee (Chief Executive Officer, Canadian Home Builders' Association): Thank you, Mr. Chair.

On behalf of the Canadian Home Builders' Association, or CHBA, and representing some 9,000 member companies in the residential construction sector, I thank you for the opportunity to provide the association's input on the development of the housing accelerator fund.

CHBA welcomes the recognition by the government that housing policy in Canada should address the needs of Canadians along the full housing continuum. We are very glad to see that a proper focus is now finally being brought to bear on housing affordability for market-rate housing. The federal government has taken extensive steps in recent years to address affordable housing through its national housing strategy to support those in core housing need; however, while affordable housing and housing affordability are related, they are very different things that require very different action.

Now, via the housing accelerator fund, market-rate housing affordability has the chance to be addressed by focusing on the most critical factor affecting market-rate home prices—housing supply. If designed and implemented properly, the fund is a once-in-a-generation opportunity to address the market-rate housing affordability and supply crisis.

The $4-billion fund is aimed at growing the house supply of middle-class homes by 100,000 additional units over and above normal activity by 2025. Even more importantly, the fund is an opportunity to help put in place the processes, systems and environment to pursue the 3.5 million additional homes that we need over the next decade to address the housing supply deficit.

To help boost market-rate supply, the fund can and should incent and support municipalities to address several current challenges and barriers to getting more market-rate supply online faster, which will result in permanent systemic change. For example, the fund can help municipalities pre-zone for gentle densification, including infill and mid-rise and high-rise height to increase density, as well as rezone away from single-family to multi-family zoning. It can also increase and enforce as-of-right zoning, which will help avoid process delays.

The fund should be designed and implemented to include supporting permanent improvements to municipal processes, such as permitting, zoning, inspection and approval systems, including implementing e-systems. The fund should also be used to support onboarding and training curricula development for building officials, especially permanent e-learning systems versus time-limited, in-person training. Given the retirement wave of building officials that is coming, the fund could also be used to accelerate the hiring of new city staff to help deal with backlogs now and to get new staff trained and experienced before more retirements and knowledge leave the system.

Another monumental challenge to getting any and all forms and tenure of housing built, including rental, is Nimbyism. A national NIMBY to YIMBY—"Yes in my back yard"—campaign for housing of all forms and tenure is needed, to educate Canadians about the inclusive communities that we need for the future.

The fund should also be designed to help address high development taxes, which are a large part of high house prices. These taxes, which include development charges, development cost charges, amenity fees, levies and all kinds of other names for taxes, are significant contributors to housing costs. These development taxes have gone up by 700% in the past 20 years, from $1 billion to nearly $8 billion across the country, with the worst cases in large urban centres.

As we understand it, the design of the fund is looking at basing the transfer of funds to municipalities on the actual performance of increased housing stock over and above the current pace of development, potentially through measuring increases in building permits. We support this performance-based approach.

We note that the study this committee is undertaking specifically mentions inclusionary zoning, or "IZ" as we call it, as does the budget. Our comment is that if IZ to be supported, it is critical that its potential pitfalls be avoided. IZ is a tool that requires a certain portion of new developments be made affordable to people with low incomes. However, if done wrong, as it often is, the outcome is fewer market-rate housing units and an increase in the price of market-rate housing units contributing to the further erosion of affordability.

When municipalities implement IZ and expect developers to subsidize the cost of affordable housing units, they are actually making buyers of new homes pay for the affordable housing unit subsidy. The development community cannot operate without passing on incremental costs of any form to buyers. Without doing that, development businesses would not be viable. The need for affordable housing units is a societal issue that should be funded by the entire tax base, not by buyers of new homes, especially first-time buyers. Real cost offsets from the city, such as land contribution or reduced development taxes, are required to ensure IZ does not further erode market-rate affordability, reduce the number of market-rate units and/or render the development business untenable.

Thanks a lot for the opportunity to speak today. I look forward to answering any questions you may have.

● (1640)

The Chair: Thank you, Mr. Lee.

Now we go to Mr. Rubinstein from the Federation of Canadian Municipalities for five minutes.

Mr. Daniel Rubinstein (Senior Director, Policy and Government Relations, Federation of Canadian Municipalities): Thank you very much, Mr. Chair, and committee members.

I'm Daniel Rubinstein. I'm the senior director of policy and government relations at the Federation of Canadian Municipalities.

FCM is the national voice of local government. We have 2,000 members, and we represent 90% of Canadians from coast to coast to coast.

● (1645)

[*Translation*]

We appreciate every opportunity to discuss how our two levels of government can work together and improve people's quality of life, including housing affordability.

[*English*]

There's no doubt that housing affordability is one of the greatest challenges facing Canada today, and for us the solution is clear: It's action, coordinated, ambitious, immediate action from the federal government, from provincial and territorial governments, from municipalities and local governments, from our non-profit housing partners and from the private sector.

Local leaders across the country are ready to do their part to improve housing options for Canadians, and budget 2022 includes key investments to enable municipalities to take action on the housing crisis.

In particular, FCM and our members welcome the $4 billion housing accelerator fund. We believe it has transformative potential to help get housing built faster through direct and flexible investments, which allow municipalities to tackle the most serious local barriers to supply.

We know that housing supply is influenced by a variety of factors, such as financing, availability and cost of land, and the regulatory context and systems in place to review and improve development applications. Today we know that there's particular attention paid to the supply chain availability of skilled labour and materials as well.

Across the country, cities are putting in place systems to speed up the review and approval of development proposals and to accelerate local and regional level planning, and more can definitely be done in this space with support from HAF. HAF's focus on expanding supply is critical, but more important is ensuring that HAF unlocks and accelerates the right supply, and for us that means affordable options, both market and non-market, aligned with our shared federal-municipal vision of low carbon intensification and transit-oriented development.

The right supply also means focusing on the specific local supply gaps unique to each local housing market. In some cities, the challenge might be building enough affordable rental options, particularly family-sized apartments, this is a pretty serious gap in what the market is currently creating on its own.

In others, access to and cost of land is a barrier to transformative projects, especially those that include serious affordability targets. In others, important steps are being taken to improve access to so called “missing middle” options, secondary suites, laneway suites to accelerate TOD, and inclusionary zoning.

The government's commitment to making sure HAF is flexible to the needs and realities of cities and communities recognizes that housing markets are local and that municipalities are best placed to identify what will make the biggest contribution locally to increasing housing supply.

We also note and welcome the budget's commitment to achieve a balanced supply, which includes a needed increase to the supply of affordable housing, and that's critical for us at FCM.

To make HAF a success, it must be designed with municipalities to directly empower action and results, and we have a model that's working well with the rapid housing initiative, RHI. For us that means borrowing from the major city stream model, which provides flexible upfront allocations to major centres. This gives our major urban centres the predictability, flexibility and upfront cash flow needed to act quickly and ambitiously.

Our recommendation is that at least 50% of HAF should be delivered through a major city stream.

The other major component of RHI, rapid housing initiative, is an application-based stream that all municipalities have access to, and this kind of stream is particularly well suited to applications focused on improving planning and development review processes, including regional collaborations.

I want to note that the budget made an important commitment to ensuring that HAF supports rural and smaller communities that are growing quickly, and we know this application-based stream can easily be adapted to include a targeted carve out for projects from rural and smaller communities.

Before concluding, I want to note that HAF is a new addition to the national housing strategy, and I've heard from other witnesses today and at your previous meeting about the success being linked to the rest of the broader national housing strategy. The budget did make important commitments to improve the rental construction financing initiative and the national housing co-investment fund. These program changes are equally important in addressing barriers to expanding affordable housing options for Canadians. We look forward to contributing our advice on how to optimize those programs as well in the future.

Thank you.

I'm happy to participate in the Q and A.

● (1650)

[*Translation*]

The Chair: Thank you, Mr. Rubinstein.

[*English*]

I'll now open the floor to questions, beginning with Mr. Jeneroux for six minutes.

I would ask the committee members to identify the person you're directing the questions to, so that we do not waste time.

Mr. Matt Jeneroux (Edmonton Riverbend, CPC): Yes, I agree because we have a lot of witnesses.

Thank you, Mr. Chair. It's a pleasure to be back at the HUMA committee, my favourite committee.

A number of witnesses made the point about the accelerator fund focusing on major cities, and that was our impression, too, when the Minister came here and made the comments. However, then the budget said that the fund would also include rural areas. There have been a lot of questions regarding how this program will run, who's eligible and how the application process will work. I wanted to make sure that all witnesses were on the same page with what we're hearing about this fund as well.

We're now constantly reminding the government that a reason Canada has a housing crisis is that we have a supply issue, which so many of you spoke about. Scotiabank has said that Canada needs 1.8 million new homes built in a year to keep up with demand. A report from CIBC just yesterday said that housing supply numbers derived by the CMHC are “grossly undercounted”. The report also said that the construction industry doesn't have the capacity to meet the government's targets.

That said, I'm not sure if you've seen the report, Mr. Lee, but I'll start with you. Would you agree with the statement by the CIBC that the construction industry won't be able to keep up with these targets?

Mr. Kevin Lee: I think what I would say is that the targets are really important. To be able to say that we need 3.5 million houses over the next decade starts to point out everything that needs to fall into place in order to get there.

We have a labour shortage that didn't just materialize over the past few years. It's been many years in the making. It's demographics. It's not unique to residential construction; it's across the board.

We need solutions, including more Canadians getting into the skilled trades, and we need to adjust the immigration system to bring in the right people. We're going to need more joint investment in productivity. Frankly, we're going to need to be able to build more houses with fewer people, moving forward.

We went from an average of about of 200,000 or 210,000 housing units and housing starts over the past decade to 271,000 units started last year, so there is some flex in the system.

The bigger issue moving forward is unlocking the ability to continue to do that. The housing accelerator fund and its intent directed towards municipalities to enable them to unlock some of these processes and delays.... That's the number one barrier we have right now to more supply. We need to continue to work on other issues that are related to it, but I think this fund and targeting supply through municipalities is hitting the number one issue we have, and we'll need to continue to work on the others.

Mr. Matt Jeneroux: Does it put a lot of pressure on your industry to keep up with the targets that CIBC has indicated? How does the industry feel about these numbers?

Mr. Kevin Lee: I think the industry feels very positive. I wouldn't call it pressure; I would call it support.

This is something we've been talking about for a long time. We've been talking about the issue of accelerating house prices since long before the pandemic. This became a much bigger issue through the pandemic, but it goes back to stuff that we've been talking to the federal government about for the past decade. We were talking about supply issues. We were talking about development taxes, so we feel now that the lens is being put properly on this. There's a big opportunity to move forward on it.

Mr. Matt Jeneroux: Okay, so it just took seven years, but I guess it's finally something they decided to focus on.

I'll go to you, Mr. Rubinstein.

It's good to see you again, as always. FCM does a lot of good work.

You mentioned some barriers when it comes to the national housing strategy as it exists today. What are some that you hope the accelerator program will address specifically?

Mr. Daniel Rubinstein: Thanks very much.

It's nice to see you as well, Mr. Jeneroux.

I made the point about the other programs in the NHS to draw a distinction that I think you heard from previous witnesses. We have a need to provide a level of subsidy on grants and financing that's appropriate for the kind of affordable housing we want to build. That's both for market rental options and for non-market options by the non-profit partners of our cities.

I'll just note the language in the budget—to look at deeper levels of contribution and different kinds of targets for the depth of affordability through those programs. Those are really welcome. By seeing those changes happen in parallel with HAF, I think it enables HAF to be a stacking opportunity and addressing other barriers such as land—I know that's come up as a common theme—which we may not be able to deal with through other programs in the NHS.

I think—

● (1655)

Mr. Matt Jeneroux: Sorry, Mr. Rubinstein. I just have a short bit of time.

When it comes to market housing, I know that a lot of municipalities struggle, and some of your big cities—the Vancouvers, the Torontos, the Burlingtons and the Hamiltons—all really struggle with getting that market housing piece. How do you see this accelerator fund helping from that perspective versus the affordable housing?

Mr. Daniel Rubinstein: Sure. I think this is where that range of local supply gaps that our members identified and the need for flexibility to direct towards them really matter. For some of our members, there's absolutely an opportunity to invest in the planning, in the permitting systems and in that soft infrastructure that's required.

In other parts of the market, though, we know that there are local incentive programs to build an infill, and hopefully HAF can provide another funding tool for our members to experiment with those kinds of programs and lever the private sector into the kind of supply that we know is most needed.

I think it's going to look different centre by centre, city by city, but absolutely there's a range of gaps and opportunities, both market and non-market, that municipalities are keen to use HAF towards and move fast in that regard.

The Chair: Thank you, Mr. Rubinstein.

Now, we go to Mr. Van Bynen for six minutes.

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

I'll be directing my comments towards Mr. Reisman, and that's based largely on the success that we had with a program within our own municipality in the way that we approached it.

Sam, I only have six minutes, and I'd like to get in three questions, so brevity will win the day.

Number one, I wonder if you could explain the business model difference between a condominium construction project and a market rental construction project. The reason I'm asking is that it's what has led to your request or suggestion for deferral. I'd like to get a better understanding of how we get there.

Mr. Sam Reisman: Sure.

Typical condominiums require two things. They require a pre-sale test, and the reason they require that is that they require a much larger equity base, between 25% and 30. That comes through the developer, but mostly two-thirds would come from the pre-sales. You then go to the bank and say, “Please help me build my condo. I've sold 60% or 65%.” They give you the money, and you build a bunch of one-bedroom condominiums that end up getting rented to people and don't really service the community's need.

With a rental, banks generally want the same kind of equity money. The problem is, of course, that you don't have the equity source of the purchasers. What we were able to do was to align policy. It took us a long time to work with York Region and the town, and we said, “Guys, why don't you chip in the development charges? We'll pay them back, but there are two things. Could you defer them, and could you effectively subordinate them to bank financing?

The subordination is not technically subordinated, but it's deferred for 20 years, and the banks accept that as equity. As a result of that, we were able to develop a third building that we're now building. We have a condominium, so there are three buildings that we're building. The 600 units I mentioned are all on the back of that program and stacked with some assistance of CMHC as well. The key literally was the deposit money.

Mr. Tony Van Bynen: You created some affordable housing units within the complex. What was the percentage there?

Mr. Sam Reisman: In the first building we built, the town could take up to 25% of the units, which would have been 52 or 53 units, and use them in their York Region program. We sold that building, so I don't know how much they accessed, but at the time they had access to a considerable number before we sold.

On the two other buildings—again, there are different definitions of affordability between CMHC, the region and the town—but essentially there are 100 units out of the 400 that were built, 25% of them, that would be affordable.

● (1700)

Mr. Tony Van Bynen: You've raised another issue there, and that is the differences in interpretation and criteria for the different lenders. Where would you see that liaison role that you've recommended? Where would you see that seated?

Mr. Sam Reisman: I've been very impressed with CMHC over the last three or four years. I think that the organization, from my perspective, has become pretty flat and they seem to have their finger on the pulse. They have good stats. They have good data. They have good underwriting.

I'm not that familiar with the hierarchy or the structure, but I would have put the liaison group in there. I think they have one. I think they have individuals who are doing it. I just don't think they have enough resources to really align the various levels of government. It takes a lot of time. It takes a lot of lobbying, and it takes a lot of thought.

We've done that. It took us a couple of years within the context of my small development, but I think that office would come out of CMHC and I think it would be very effective.

Mr. Tony Van Bynen: With regard to the potential for this fund to buy down the construction costs so that the financing is sustainable with affordable rental, what percentage of the project would you see as needing to be bought down?

Mr. Sam Reisman: Do you mean the interest rates or the capital costs?

Mr. Tony Van Bynen: The capital costs.

Mr. Sam Reisman: I think I would answer the question by not answering. What I would tell you is that the CMHC was able to provide us with financing at their market rates, which are subsidized, and that was all we needed.

The only problem is that all of the projects we have developed and that are in the ground now could not be developed on the basis of current market forces. Construction costs have gone up 40% in the last two years. All other things being equal, somebody would have to subsidize the lion's share of that cost in order for us to build another affordable rental.

Mr. Tony Van Bynen: There's a discussion going on now, I believe in the town of Newmarket, where the town has passed a resolution that requires any development approval to have an expiry date.

What are your thoughts on that?

Mr. Sam Reisman: I think that makes sense. In that particular case—Newmarket, York Region—you have a limited amount of allocation. As a result of that, it makes all the more sense, because if you're not going to develop it, then move on. You need to use the allocation somewhere else to get the units built.

The Chair: You have 10 seconds left.

Mr. Tony Van Bynen: Finally, Sam, what do you think is the highest and best use of the $4 billion?

Mr. Sam Reisman: The most effective thing would be to try to experiment and see if you could pay down direct subsidies to individuals. Simulate the reverse tax that I spoke about. I would be interested to see what that would do. I think it would alleviate a lot of affordable—

The Chair: Thank you.

Thank you, Mr. Van Bynen.

[*Translation*]

Mr. Trudel, go ahead for six minutes.

Mr. Denis Trudel (Longueuil—Saint-Hubert, BQ): Thank you very much, Mr. Chair.

I thank all the witnesses for joining us to discuss the major housing crisis we are experiencing in Quebec and elsewhere in Canada.

We can say that there are two major issues related to the current housing crisis. The first is accessibility—the need for more housing—and the second is affordability—the need for new housing to be less expensive, as most of the poorest people are experiencing housing instability.

The new federal housing advocate, appointed recently by the federal government, said in an interview last weekend that, unfortunately, the entire national housing strategy was meeting only the core housing needs of 4.8% of people, those who spend more than 30% of their income on housing, which was problematic.

She even added that considerable funds have been committed under the national strategy. Significant amounts of money were announced, but, at the end of the day, only 35,000 housing units have been built since 2017, which is unbelievable.

My question is for Mr. Armstrong.

The new $4-billion fund for municipalities is a significant investment. Do you think this new program will be able to change the situation by improving accessibility and affordability?

● (1705)

[*English*]

Mr. Thom Armstrong: I would say that it can, but the key factor will be whether it could be effectively stacked with other programs. The contribution levels that we're talking about under some of the scenarios we've seen sketched out wouldn't be enough to plug the entire equity gap between economic and market rent, or between market rent and affordable rent.

I'd say, depending on how carefully the money is targeted—and you have to remember that whenever we're talking about subsidizing housing development, the critical question is whom we are trying to house—then it can have the potential of being very effective. Again, that's as long as it's stacked effectively with other programs, and not just federal programs but also with provincial programs, where they in fact exist.

[*Translation*]

Mr. Denis Trudel: Thank you, Mr. Armstrong. I have another question.

Many housing observers are saying that, generally speaking, we should rather provide money to non-profit organizations, which would be in a better position to ensure housing affordability over the long term.

Unfortunately, in the case of programs such as the national housing co-investment fund and the rental construction financing initiative, after a while, the housing is often no longer as affordable as it was in the beginning. However, the rapid housing initiative, RHI, is a worthwhile program that covers 100% of the housing cost and ensures affordability over the long term.

Do you think we should spend money on that kind of a program rather than on the new program announced in the latest budget?

[*English*]

Mr. Thom Armstrong: I certainly think that's a valid point to be making. A lot of people like to wax nostalgic about some of the older tax incentive programs—the MURBs and the ARPs—but if you wander around your community today and try to find one of those developments, they've typically been flipped several times and all the affordability has been washed out of them.

The new agreements around purpose-built rental construction tend to have very modest ambitions when it comes to affordability. The agreements are short term and the affordability targets address a very shallow level of affordability. If you want to achieve deep, lasting and permanent affordability, I think you need to align the mission of the housing developers with the outcomes you're looking for.

That would lead to the conclusion that the more development you can spark through the community housing sector, which has a lot more development capacity today than it did 10 years ago, then the more lasting outcomes you're going to generate, because the thing that people most forget is that housing is never less affordable than on the first day the door opens. Over time, as it gets managed, refinanced and invested in, it becomes more and more affordable if it's being operated as a not-for-profit housing business. I would tie the results to the 10-year model and expect that performance to deliver an enormous return on investment to the government.

[*Translation*]

Mr. Denis Trudel: Thank you, Mr. Armstrong.

I would like to put a question to Mr. Rubinstein, from the the Federation of Canadian Municipalities.

Everyone is happy about the new $4-billion fund to accelerate the building of housing in municipalities. That's a substantial investment, and I think it is very important to make massive investments in housing.

However, there is some worry over the fund in Quebec. The last time the federal government announced money under its national strategy, it took three years for it to come to an agreement with Quebec.

I don't know whether it works in the same way in the rest of Canada, but, in Quebec, municipalities come under the jurisdiction of the provincial government. No money is spent in municipalities without negotiations by the Government of Quebec. Last time, while money was being spent across Canada—for instance, in Vancouver, in Toronto and in Calgary—nothing was being spent in Quebec because negotiations were ongoing.

Do you have the same concern?

[*English*]

Mr. Daniel Rubinstein: Thanks, Mr. Trudel.

If I understand the question, it's about making sure that all parts of the country have access to the funding. I can assure you that's very much top of mind for our Quebec members.

I can't speak for how the federal government will work with the Province of Quebec to deliver, but I will say we know that with the rapid housing initiative and other programs we were able to make sure that there has been planning delivered on the ground for housing options in Montreal, Laval, Longueuil, Gatineau, Quebec, and elsewhere in the province, and we certainly want to make sure that happens here with the accelerator fund.

To the earlier point about stacking and alignment, there are opportunities. I fully agree with the comments about stacking within the federal programs. Likewise, we know that in affordable housing space there are models within provinces, including in the Province of Quebec, that can be tapped into.

I look forward to seeing how that happens, but I share the interest in making sure there's as limited a delay as possible to that access.

● (1710)

[*Translation*]

The Chair: Thank you, Mr. Trudel.

[*English*]

Now we have Ms. Zarrillo for six minutes.

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

I really thank all of the witnesses today. I think it would be great to have testimony like this for all city councillors and even for the planning departments of municipalities across the country.

I'm going to start with Mr. Lancastle and then go to Mr. Armstrong to ask about protection for co-ops and purpose-built rentals.

Mr. Hahn, if I get the opportunity, I'd like to talk to you about operating agreements, expirations and how those need to look going forward.

Mr. Reisman, if I get to you, I'd like to understand, for those municipalities that are underwriting some of this purpose-built, if they are underwriting with municipal reserves or assets, what is their risk? If I don't get a chance to ask you, if you wouldn't mind sending that in writing by email, that would be awesome.

Starting with Mr. Lancastle on assessment, I'm so pleased that you are here. With the number of times I have questioned “highest and best use” around assessment, I really feel strongly about this. Granted, the assessment authority is a wonderful organization, but highest and best is not keeping up with the societal impacts of assessing land only on market value. I've always wanted to separate highest and best. We're losing many businesses on our high streets. Local businesses are being rezoned and then immediately become more valuable as a piece of land than as an asset to the community.

My question for you, Mr. Lancastle, is that I keep getting told by BC Assessment that it can't be touched, but are there any conversations happening at the assessment authority on separating highest and best, the art and the science in the assessment of land, in these current conditions?

Mr. Keith Lancastle: Thank you very much for the question.

While I will say that we have a number of our individual members who work in assessment authorities, including places like BC Assessment, across the country, we would not presume to speak for the assessment authorities.

I will say, though, in terms of highest and best use, that is a fundamental principal evaluation, but it does recognize, in arriving at a value for a subject property, the need and the requirement that the use of the property be legally permitted.

I think when we talk about that degree of flexibility and that need for all parties to come to the table to look at innovative and different ways perhaps to zone properties to allow for more innovative approaches to bring more housing supply onto the market—that's why we believe very strongly there are no silver bullets—we do have to address the whole question of Nimbyism. I appreciate my colleague Mr. Lee's “Yimbyism”. That will be one I will borrow on a go-forward basis. I do think it is really about looking at this in a whole new way and bringing everyone to the table who can play a role. Highest and best use has to be a premise, because at the end of the day, regardless of whether it's a commercial lender or a government or an individual who's making the investment, they have to understand that the value is going to be there down the road. Moving the needle on some of those other factors can really help shift the energy and shift the focus there.

Ms. Bonita Zarrillo: Thank you. I do agree that we need to look at it differently. My concern is that even if the OCP changes without a rezone, they automatically apply a probability that it will be rezoned, which in my opinion is pushing or forcing a redevelopment, and the value to the community of the current use is not being considered in any way.

That's the one conversation I hope happens when we reimagine what this should look like, because I understand that redevelopment needs to happen. However, the phasing of redevelopment to support the needs in the community is important, and I'm interested in having further conversation on what that could look like.

Mr. Armstrong, you mentioned you've had a change of heart or thought on the protection and the maintenance of purpose-built rental. I want to add to that the co-ops, because we know they're disappearing at an alarming rate. I can't remember which of the witnesses talked about who we're serving in this housing.

How could the accelerator fund potentially be used to protect the purpose-built rental and co-op rental that right now is serving the community? We need to wait until we have affordable supply on hand before we can start to take these down.

● (1715)

Mr. Thom Armstrong: Am I ever glad you asked that question. I was hoping we'd all get a chance to answer your first question, because is there any higher or better use for housing than to provide safe, secure, affordable housing in a community-based setting? Anyway, the answer to that requires someone else's expertise.

We shifted our attention to acquisition because of the trend we see in the markets. Governments everywhere, particularly in B.C. and Quebec and particularly the federal government, are investing a lot of money in new, affordable supply programs, but because the existing purpose-built rental stock is being captured by investors at a rate in B.C. of three homes for every one new home being built under the affordable housing programs sponsored by the government, even if we're wildly successful in accomplishing all of the goals of the announced programs around new supply, we'll still experience a net loss of affordable homes at the end of the 10-year period of the national housing strategy. It's maybe an understatement to say that would be a suboptimal outcome for the program.

So we have recommended that especially in this economic cycle, in which our business construction costs are going up at the rate of 2% a month and the cost of money is increasing.... In a meeting during the last government, we were sharing some observations with other witnesses before we started, and the last Bank of Canada announcement cost us $4 million overnight on the capital cost and the debt service of one of the affordable housing developments we're looking at.

Now, we don't have any control over that, but it seems to me that we need to create some flexibility in the fund as it's being announced so that we can turn the focus of the fund to where it will have the most impact. Maybe, for the time being, in certain markets, it's acquisition of the purpose-built rental stock that's at risk of being captured with tenants at risk of being displaced, and so the rents will inevitably climb to deliver the return that investors legitimately expect from the acquisition of those assets.

The Chair: Madam Zarrillo—

Ms. Bonita Zarrillo: You know, we've heard alarming testimony.... Am I done?

The Chair: You're over by a minute, Madame Zarrillo.

Ms. Bonita Zarrillo: Okay. I just wanted to let Mr. Armstrong know—

The Chair: You can get to that point in your next round.

We will go to Mr. Ruff for five minutes.

Mr. Alex Ruff (Bruce—Grey—Owen Sound, CPC): Thanks, Chair, and thanks to all of the witnesses for coming today.

My first question will be for FCM. It's again to make sure that it's clear on the record that despite the mandate letter for the minister around the housing accelerator fund really being just focused on housing supply in our larger cities, based on the budget and your understanding, representing all municipalities—or the vast majority of them across the country—this funding is going to be made available to rural communities as well.

For example, I have one project that I just got briefed on earlier this week, Ste. Clare's, which is focused on affordable housing apartment units for seniors. They're impacted on so many costs due to the construction costs that have gone up. Where they were originally funding $3 million for the construction, it's now estimated at $7 million.

Can you just clarify that it's your understanding this fund will be made available for urban and rural areas?

Mr. Daniel Rubinstein: We have a board of directors of urban and rural mayors and councillors, and the housing crisis is being felt everywhere—that's for sure. Those cost increases are being felt everywhere.

The budget clearly indicates that the fund will be accessible to rural—smaller communities are growing quickly—and we welcome that.

A comment I made in my opening remarks was to suggest a way to make sure that rural and small communities have access to the program in a predictable way. Creating a carve-out where they're not competing against the economics of programs that are for larger centres makes sense. There's a way to do that, and again, we welcome that deliberate focus on access and the ultimate delivery of HAF.

Mr. Alex Ruff: Thank you.

My next question will go to three of the witnesses, Mr. Armstrong, Mr. Lee, and back to you, Mr. Rubinstein, as well.

I have another co-operative, Glassworks, in my riding. It's in the process of building not-for-profit, affordable and sustainable multigenerational housing, which is encompassing business opportunities and everything that's needed. However, they're running into some challenges. It's maybe more on the municipal level with respect to rezoning and the charges that the municipalities are levying against these not-for-profits.

However, it's not just that. I have other developments in the area where they run into challenges with the conservation authorities. They're delaying the process. These are all things where we fully acknowledge the need to make sure we're not doing damage to the environment, etc., but once they've been through that, it's the delay and the impact that has.

I'd like all three witnesses' take on that.

We'll start with Mr. Armstrong, on the co-op side, please.

● (1720)

Mr. Thom Armstrong: Whether you're developing a non-profit co-op or a high-end, purpose-built rental or strata, the cost of development and the impact of development costs are the same.

I'll give you one concrete example. The City of Victoria, just in the last month, adopted a very progressive zoning policy that eliminates the rezoning and public hearing process for an affordable housing development that's consistent with the official community plan and local design guidelines. For a project that we have under way in Vancouver, the redevelopment of a 31-unit housing co-op, had that policy been in place in Vancouver when we began the development process, it would have saved us nine months—and the cost of money for that nine months—roughly $650,000 in capital costs, given the increase in construction and interest rates and other soft costs, and it would have reduced the day-one rents in that redeveloped co-op by $200 a month on average.

There's a very tangible example of the impact that, what would seem to be, quite minor improvements in the rezoning process has on the costs of an affordable housing development. That's just one example among many. Everything you do to add time or money to a new or redeveloped housing project, whether it be a co-op or a non-profit—

Mr. Alex Ruff: Thanks, Mr. Armstrong.

I want to get Mr. Lee in here.

Can you expand a bit?

Mr. Kevin Lee: Yes. We need as-of-right zoning, so that once something is zoned for a specific height, it can go through and not face all kinds of additional processes. We need height in zoning that is realistic and not as a starting negotiating point, after which the city will seek to extract more dollars for every additional storey that goes on. Let's figure out what the height is supposed to be and then let the development community respond to that.

To the point on development taxes, there's a perfect example. Who should be paying for affordable housing? The entire tax base will. By waiving development taxes, you'd be able to create the difference in many cases for creating affordable units, rather than trying to put it on the backs of new homebuyers.

Hopefully that covers a few of your areas.

Mr. Alex Ruff: Thank you.

The Chair: Thank you, Mr. Ruff. Your time is over.

We will now go to Mr. Collins for five minutes

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

Thanks to all of the witnesses for attending today.

At the outset when I presented the motion to committee, my goal or objective was purpose-built rentals, that is, affordable rentals for families.

One thing I've learned over the years is that, as we have witnessed, both the private sector and the three levels of government try to assist with the affordable housing crisis that face. Many of the units, if not most, are bachelor and one-bedroom units.

What's left behind are those families who sit on affordable housing wait-lists across the country and who may have two or three children and require something more than a one-bedroom or bachelor unit.

My first question would be for Mr. Armstrong.

You talked about incentivizing the partnerships. How do we incentivize for larger units for families who might be struggling with affordable housing issues across the country in whatever province they live in and with whatever affordable housing wait-list they're on?

Mr. Thom Armstrong: Well, the short answer is that you need to be prepared to invest enough money in capital and operating subsidies to plug the equity gap.

In our community land trust, 40% of the new homes we develop are either two- or three-bedroom homes intended for the families you're speaking of, who generally can't find an affordable place to live in private sector developments.

It's just not economic, so there needs to be an investment to plug that gap to make it economic and make it consistent with the mission of the non-profit or co-op developers.

● (1725)

Mr. Chad Collins: Thanks, Mr. Armstrong.

I have a subsequent question. The second bullet point you mentioned was to “free up land”.

For me, that's a key point. I know that the City of Hamilton is anxious to receive resources from the federal and provincial governments in terms of resources to purchase land in order to forge partnerships with either the private sector or not-for-profits.

What benefit would come to you and your organization and other non-profits in B.C. and elsewhere with the provision of land?

Mr. Thom Armstrong: It's absolutely critical. I would say that seven or eight years ago we could have said that free land was enough to to generate the viability you need to create significant affordability. That's no longer the case.

We developed four sites made available to us by the City of Vancouver on 99-year leases for $10 each. We've built 358 homes on those four sites, all coming in at around 65% to 68% of market rents in year one and getting more affordable over time. That's the impact that investment in land can have.

I would say to municipalities: Never ever sell your land—ever. Make it available on advantageous lease terms to community housing developers. They will deliver the affordability you need, not just for five years or 10 years but forever.

Mr. Chad Collins: Thanks for that.

My subsequent question would be about the whole issue of how the money flows through to those who are applying for it. I'm from Hamilton, and I know that our complaint was that it took us a very long time to receive the funds from CMHC as it relates to the national housing monies that were made available to us through the co-investment fund.

How do you envision this fund operating in that regard to ensure the money flows very quickly and gets to those who are applying for it in a timely way, so that those units can be constructed almost immediately?

Mr. Thom Armstrong: I think the answer is in the question: Those funds have to flow immediately.

The two things that community housing developers need to have access to are, first of all, risk capital, and, second, patient capital. As I've said in another conversation, CMHC at times is a lot of use in the kinds of developments that we need to have under way. As long as you're pre-qualified and you've met what I hope are quite stringent underwriting conditions for a new development, that money has to flow early in the process so that you're not left—especially as a non-profit developer—with all of the assets you have at your disposal at risk.

Mr. Chad Collins: Thanks, Mr. Chairman. I think I have about 30 seconds left.

My last question would be on the criteria, Thom, that could be applied to the application process.

We've heard from many of the witnesses today about transit-oriented development; possibly inclusionary zoning, depending on what criteria are included there; and higher densities, of course, in urban areas where that makes sense.

Do you have any others to include on that list in terms of what the government should consider attaching to the funds?

Mr. Thom Armstrong: I agree with all of those. I would add family-sized housing, housing appropriate for families, and permanent long-term affordability.

Mr. Chad Collins: Thank you.

The Chair: As you can see, committee members, we're approaching 5:30, but I get a sense of agreement that we'll proceed to conclude this round, which would mean that we would go to Mr. Trudel for two and a half minutes and then to Madam Zarrillo for two and a half minutes, Madam Kusie for five minutes and then Madam Martinez Ferrada for five minutes.

Do I have agreement to continue like that? I know that the witnesses are available.

Okay. Go ahead, Monsieur Trudel.

[*Translation*]

Mr. Denis Trudel: Thank you, Mr. Chair.

I will ask a question, and I will then let Mr. Morrice, of the Green Party, have the last minute of my time. I will try to be brief.

Mr. Rubinstein, we talked earlier about the rapid housing initiative, a program with a proven track record. It works well and it is fairly quick. It was even a bit too quick for some organizations, which struggled to submit their projects within the set time frames. The initial funding for that program was $1.5 billion, and an additional investment of $1.5 billion was just announced, but you asked for $7 billion because projects worth $4 billion have been submitted. That proves that the program is good and that the needs exist.

Don't you think that fund should be maintained, as it is a program that creates social housing and really helps the people most in need?

Instead of investing in programs mainly intended for private developers, should we not promote those kinds of programs that support non-profit organizations?

● (1730)

[*English*]

Mr. Daniel Rubinstein: Thanks very much.

Yes, we did propose ahead of the budget a longer-term time frame for the rapid housing initiative. I really welcome the additional funding in the budget. I think we're still hopeful that this kind of program will be on a longer-term track that allows our members to find the investments in permanent supportive housing and other homelessness interventions over a five- or six-year period. That's certainly the most effective way to go.

We also see a tremendous amount of value in this program. It's an additional funding element in the national housing strategy. Ideally, our members can fund their interventions on homelessness through RHI. They can fund greater affordability through co-investment if they have access to that, right, and through the rental construction financing initiative can see market rental through that program. Then, through HAF, they can tackle other areas of supply, as I talked about before, and then stack them together and have a suite of programs that work.

If you don't mind, regarding the previous question from Mr. Collins on delivery, this is the essence of why we're recommending using the major city stream for those cities with the greatest capacity. Provide those cities with up-front predictability. Let them look at an investment plan. CMHC can review that. Then, let them flow that money quickly to their non-profit partners and their own delivery agencies to make decisions on where to invest in land, where to put in an incentive program, where to put in capital dollars and where to improve their planning processes. We know what needs to be done and we can move quickly, and that's a mechanism that we know works quite well.

The Chair: Thank you.

We have Mr. Morrice for two minutes.

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

[*Translation*]

I also thank Mr. Trudel.

[*English*]

Thank you to all of the witnesses.

With the limited time I have, Mr. Rubinstein, you specifically mentioned a huge challenge in my community with respect to multi-bedroom and multi-unit options for families in particular. This is about not only the supply of housing but also the kind of housing that's getting built.

Could you share more about your specific recommendations for the housing accelerator fund? Perhaps if it were designed in a way that would lead not only to what we have being built, which is a lot of one-bedroom condos that are fairly high-end, but also to deeply affordable two- and three-bedroom units for families as well over the long term....

Mr. Daniel Rubinstein: It's a great question. I might approach it philosophically to start.

I think we need all levels of government to agree on the kind of housing we're trying to produce. I think we've heard today that one of the primary gaps is, in the market side, where do we create the appropriate family-sized units? I know it's in the reporting that CMHC has had recently, too, so it's not just our view. I think that's widely held.

Then the question is, how do you solve for that? I think HAF has the ability, one, if the policy objective is clear about the kind of housing we're creating—and not just supply but the targeted supply—and, two, there's an ability, and I think cities are experimenters, right? We experiment with partnering to achieve certain objectives.

Cities have the predictability up front to say, “Here's a pot of money and what's the bang for the buck?” If there's a lack of appropriately sized market rentals and family-sized rentals are one of them, let cities experiment with solutions to that. That could be creating incentive programs to help address some of that cost differential. It could be pitching at land; it could be a range of things.

Thanks.

The Chair: Thank you, Mr. Rubinstein. We're over time.

Madam Zarrillo, you have two and a half minutes.

Ms. Bonita Zarrillo: Thank you, Mr. Chair.

I am going to go back to Mr. Hahn. I said I would ask some questions about expiring operating agreements, and operating agreements in general, but I wanted to add a question for Mr. Hahn, if you wouldn't mind.

I'm getting a sense there is some thought that federal land will be available for sale for private development that partners with not-for-profits. I want to understand from Mr. Hahn how selling that land would impact operating agreements, and the length of operating agreements, with private partners in the not-for-profit community.

Mr. Brian Hahn: To be clear, our members aren't typically social housing members, so by “operating agreements”, I take it your context is one where developers would pay for operating agreements on lands that would be developed. I hope I'm gathering that correctly.

Generally speaking, our membership believes that municipal taxes should cover the cost of development operations. Only in the rarest of circumstances would we endorse adding operating costs to the cost of development. In the long run, developments need to go around on the capital cost and tax collections that would come from new housing and new development to offset municipal operating costs.

Much like what has been talked about with regard to improving processes around development approvals and the automation of those processes, there also needs to be an incentive for efficiency in all aspects of that. In the context of our Calgary members, developers install significant assets on their own, then pay for the capacity of off-site assets. Essentially, the municipality gets the new capital for free and inherits a whole bunch of taxpaying and municipal utility rate-paying customers. All of that needs to be taken into account, particularly the fact that new assets are lower-cost assets to operate. From our perspective, we're not as keen about an operating agreement after development.

● (1735)

Ms. Bonita Zarrillo: That's interesting, Mr. Hahn, because some of those assets—

The Chair: Madam Zarrillo, you have 20 very short seconds.

Ms. Bonita Zarrillo: Can I ask Mr. Reisman to answer the question about the underwriting of risk by municipalities, when there are no pre-sales involved?

The Chair: Yes.

Please give us a short answer.

Mr. Sam Reisman: They're putting up development charge money. It's registered against the property that received the money by way of tax, under any circumstances, but after the period of time of affordability—10 or 20 years.

Ms. Bonita Zarrillo: Who takes the risk?

Mr. Sam Reisman: You'd have to have an apartment building fail, and I don't know when that last happened in Canada.

The Chair: Thank you, Madam Zarrillo and Mr. Reisman.

Madame Kusie, you have five minutes.

Mrs. Stephanie Kusie (Calgary Midnapore, CPC): Thank you very much, Mr. Chair.

Mr. Hahn, thank you very much for joining us. I'm so very sorry I missed the BILD dinner last week. I always enjoy it, and I always appreciate the way we recognize the great Calgarians who are building our city. Thank you very much for that.

Mr. Hahn, in your opinion, how does the Calgary market supply compare with that of other major centres?

Mr. Brian Hahn: The evidence about the Calgary market supply is somewhat reflected in my opening statement. Our market-based pricing is competitive with pretty much any major metropolitan area in Canada.

However, that's going in the wrong direction. Prices are going up for an assortment of reasons, but supply is one of them. While we enjoy this competitive position right now, it's important that supply keeps moving forward and investment in the hard assets I referred to, which unlock supply, continues.

Mrs. Stephanie Kusie: What are the most significant things Calgary City Council, for example, could do to help our industry increase supply?

Mr. Brian Hahn: To be clear, Calgary City Council has done a number of positive things. We've heard about the automation of processes. Certainly, throughout the pandemic, we've seen the automation of processes in Calgary: the ability to submit development applications remotely, and remote inspections, for that matter, which are done by telephone. All of that has been positive.

I think it's important for Calgary City Council—which is in a new community business case process as we speak—to look very seriously at the supply issue, and by that I mean the fully serviced lot supply issue, to ensure there's an adequate supply of fully serviced lots to build, going forward. That will be key to ensuring we don't run short of supply and that there is a wide array of developers who have approved land supply to develop upon, so you have the diversity of developers and builders required to meet market demand.

Mrs. Stephanie Kusie: Thank you.

In the implementation of the Government of Canada's housing plan, I recall a few announcements over the last seven years for which we would have certain ministers come to the city and make announcements with municipal officials in regard to certain developments or housing developments or pieces of housing being handed over to the government or sold to the government relatively inexpensively for the housing plan itself. Why do you think these dwellings were made available and what impact do you think they have on the Calgary housing market?

● (1740)

Mr. Brian Hahn: Well, I'm not sure specifically which ones you're referring to, but I'm going to make a leap of faith that they were handed over in terms of what I think we refer to as the affordable housing end of the spectrum here. I can't quarrel that affordable housing is an issue that needs to be dealt with. Certainly we want people to have the dignity and security of a roof over their head at a price they can afford.

But I will say for sure that if the only issue that the housing accelerator fund goes to tackle is affordable housing and not the market-price housing affordability that Mr. Lee and others have talked about, we will find ourselves at whatever point in time in the future facing an even more daunting task in terms of market-price housing affordability and we will have inadvertently driven a number of folks who would otherwise have been in the market-price housing into the affordable housing market. We need to make sure that the full continuum of housing is addressed by this funding and that we cover the wingspan of that and ensure that middle-class families have access to market-price housing affordability.

Mrs. Stephanie Kusie: A significant problem for many years in Calgary was the release of land. Does this continue to be an issue for development?

Mr. Brian Hahn: I would say that if we don't see reasonable approvals of business cases before city council in the current intake that's there, we will very shortly be into a supply crunch.

Mrs. Stephanie Kusie: Thank you, Mr. Hahn.

Thank you, Chair.

The Chair: Thank you, Madame Kusie.

Now we go to Madame Martinez Ferrada to conclude with five minutes.

[*Translation*]

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

I will start with Mr. Rubinstein, from the Federation of Canadian Municipalities, FCM.

My question is about funding. We know that the FCM is already connected to municipalities when it comes to infrastructure funding distribution.

Can you tell us more about that? Do you think the FCM could have a role to play in the direct distribution of funding to municipalities? The committee members have been told a lot about that.

[*English*]

Mr. Daniel Rubinstein: Thanks very much for the question.

Just for members' context, we do have the green municipal fund, a federally funded endowment, and we deliver interventions related to land-use sustainability and housing space. Those include the sustainable affordable housing initiative, which was first announced in budget 2019. With that program we're funding a range of projects across the country to retrofit existing social and affordable housing and build new. Some of those projects I know are quite innovative in terms of creating that extra density and supply that HAF is keen to deliver.

We know that in the budget there were additional monies for retrofitting of existing low-income housing and social and affordable housing. That's the space we have expertise in and we're certainly encouraged to see how that funding is delivered.

Ms. Soraya Martinez Ferrada: Mr. Rubinstein, I'm sorry to cut you off.

Yes, I know you do that for rapid housing. My question was whether you would do that for the accelerator fund.

Mr. Daniel Rubinstein: I think we see this program as really something that our members will need to tap into directly. All of us who are involved in that housing sustainability land-use space need to bring our best thinking to the program to help make it a success. Certainly on the GMF, I can share part of our approach to low carbon, density and land use. There's lots to learn there that we can help our members with as they access this program. I hope so.

[*Translation*]

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

[*English*]

My question is for Mr. Lee. You touched on the labour shortages in construction such that they could present a challenge for addressing the housing crisis. What would you think about having a dedicated immigration stream for foreign construction workers? Is that something that would be interesting to address the issue? What do you see as challenges to construction for rural areas versus in a city? I'm hearing a lot that in the rural sector they have projects, but they just don't get anybody to go up there and construct the houses.

How would you address that issue?

● (1745)

Mr. Kevin Lee: On the immigration side, I think it is critical that we really start to better target the types of people we need to do jobs in this country. We have spent a little bit too much time over the years focusing on a knowledge economy, which Canadians are actually very good at filling, but this country was built quite literally by people with skills in the trades who immigrated here from other countries, and we really need to return to that. That will be critical. Any kind of stream on that front we would really welcome.

With respect to rural and remote areas, it's definitely a challenge. One of the things that have happened through the pandemic is that some of those areas have become more attractive because people can work in different areas, so that will hopefully help to bring different people there.

I spoke earlier about the need for better productivity. A big part of that needs to be more factory-built panelized and modular construction, which will also greatly help rural and remote communities, because a lot of the work can be done in more urban centres. It takes fewer people on site to finish a factory-built home in more rural communities.

Ms. Soraya Martinez Ferrada: I have a quick question, Mr. Hahn.

[*Translation*]

What are your thoughts on the right of first refusal?

The City of Montreal has established a right of first refusal for the purchase of land or buildings. So the city has the right of first refusal.

[*English*]

Mr. Brian Hahn: Is that for federal lands?

Ms. Soraya Martinez Ferrada: No, I'm talking about just land for cities in general. The City of Montreal got the right of first refusal on lands and buildings. That's something the Government of Quebec is looking into. Actually, they announced it this morning.

Mr. Brian Hahn: Your question is what do we think of the municipality having first refusal?

Ms. Soraya Martinez Ferrada: Yes. How do you see that?

Mr. Brian Hahn: In Calgary that is not a requirement. The illustration I would give you is that the City of Calgary is the largest industrial landowner there is, so in our particular circumstance, I can't see it making a lot of sense.

I think it was Mr. Rubenstein from FCM who said that each municipality has different circumstances, so I would say that one size does not fit all in the particular circumstances here.

The Chair: Thank you, Ms. Martinez Ferrada and Mr. Hahn.

That concludes the committee's time. I want to thank the witnesses for their very detailed testimony before our committee today. You can see that the committee members had a great deal of interest. We could have spent a few more hours with you, but we don't have time.

Thank you for your time.

With that, is it the pleasure of the committee to adjourn?

The meeting is adjourned.