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Chair: Mr. Peter Fonseca



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• (1630)

[English]

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

Welcome to meeting number 108 of the House of Commons Standing Committee on Finance.

Just for the benefit of witnesses, we are an hour delayed today due to the statements in the House regarding the situation in Israel, Gaza and the West Bank.

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

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

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

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

Although this room is equipped with a powerful audio system, feedback events can occur. These can be extremely harmful to interpreters and cause serious injuries. The most common cause of sound feedback is an earpiece worn too close to a microphone. We therefore ask all participants to exercise a high degree of caution when handling the earpieces, especially when your microphone or your neighbour's microphone is turned on. In order to prevent incidents and safeguard the hearing health of the interpreters, I invite participants to ensure that they speak into the microphone into which their headset is plugged and to avoid manipulating the earbuds by placing them on the table, away from the microphone, when they are not in use.

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

In accordance with the committee's routine motion concerning connection tests for witnesses, I'm informed by the committee clerk that all witnesses have completed the required connection tests in advance of the meeting and everything is working fine.

I would now like to welcome our witnesses. We have six different witness groups with us today.

We're starting with the Canadian Home Builders' Association. Joining us is the chief executive officer, Mr. Kevin Lee.

From the City of London, we have Mayor Josh Morgan. Welcome, Your Worship.

From the Fédération québécoise des municipalités, we have Claire Bolduc, reeve of the regional county municipality of Témiscamingue, and Maryse Drolet, political adviser for the Fédération québécoise des municipalités.

From HousingNowTO, we have Mark Richardson, technical lead.

From the Ontario Home Builders' Association, we have Sue Wastell, a builder and developer who is joining us by video conference.

From the University of Winnipeg, we have Dr. Shauna MacKinnon, professor and department chair of urban and inner-city studies. She is also a member of the Manitoba Right to Housing Coalition. She is also joining us by video conference.

Witnesses, you have up to five minutes to make an opening statement before we get to questions from members.

We'll start with the Canadian Home Builders' Association and Mr. Kevin Lee, please.

Mr. Kevin Lee (Chief Executive Officer, Canadian Home Builders' Association): Thank you, Mr. Chair and members of the finance committee, for having me here today to support your study.

It's critical to understand well the real issues eroding affordability and preventing supply, and from the motion that led to this study, I can see there are some potential misunderstandings of the situation that I would like to address head-on.

As for the CHBA, let me be clear that our members build all forms of housing, from single detached homes—which are fewer and further between these days—to low-rise multi-unit houses like townhomes and stacked townhomes to mid-rise buildings and high-rise apartment complexes.

While I am listing what we build, let me emphasize that we need to build all of these forms of housing. We need to build smarter upwards, inwards, and outwards, to build 5.8 million homes this decade to achieve the affordability and choice that Canadians want and need.

Our members build housing units for private home ownership, for rental, and for affordable housing owned by not-for-profits and governments, and again, we need more of all of these.

However, we must recognize that it has taken decades of government policies restricting building and driving up house prices to get to this point, and to get out of this crisis there is no silver bullet. It will take comprehensive approaches by all levels of government, focused on the right outcomes, and it will take years to turn this completely around. However, the time to take action—and fortunately, some has already begun—is now.

Right now, high interest rates and inflation are indeed an issue with housing affordability, and we do need those to come down as soon as possible, but let's be clear that while the study by the committee's motion states that 40% of mortgage holders are having trouble paying for their expenses, 47% of renters are having the same issue and 23% of homeowners without a mortgage are also having the same challenge. This isn't about owning versus renting, though homeowners clearly have a better financial situation, showing, again, why home ownership should continue to be encouraged for Canadians; this is about inflation and the cost of living, an issue for all Canadians and about, essentially, all of their necessities.

Therefore, while we need to address inflation overall and while higher interest rates do need to come down to make housing more affordable as well as to support more construction and supply, the root causes of home price escalation are not about today's inflation. They are about other policy issues that preceded the inflation situation, that will persist afterwards, and that desperately need policy change. These policy changes can help us in the current high interest rate environment, but they will also be needed as rates come down because we need to dramatically increase our housing supply.

The drivers of price escalation and deteriorating affordability have been, and continue to be, a lack of housing supply; high taxes at all levels of government, but especially at the municipal level; mortgage rules that have locked out first-time buyers and limit construction; red tape, delays and Nimbyism; labour shortages and increasing labour costs; and expensive changes to codes and standards that are slated to get worse in the years ahead. All of these have been created by government policy, and all can be addressed by policy change.

Let me address the financial issues—or financialization, if you will—head-on. Without the ability of Canadian individuals and organizations to finance the construction of more housing, we simply will not be able to double housing starts to address the housing gap. Building 3.5 million additional homes this decade will take an investment of over a trillion dollars, the lion's share of which must come from private capital.

For first-time buyers, the first financial policy piece is simple. Given the challenges with house prices, we need to increase the purchasing power of first-time buyers without driving up house

prices. A return to 30-year amortization periods for insured mortgages, but only applied to new construction, can support more construction of entry-level homes that young families can afford without driving up prices and causing extreme demand in a supply-constrained market because, empirically, this will be adding to new supply. It's also, by the way, a no-cost measure for the government to implement.

With regard to private investors in rental units, we need to be clear. Investors are essential to create the rental supply we need in Canada. We need Canadians with the means to be able to purchase and finance rental units for long-term renters, which, by the way, includes laneway homes and other accessory dwelling units.

We also need institutional investors to support purpose-built rentals, or PBR, as we call it. However, again, let's be clear: There is limited profit in purpose-built rentals, which is why institutional investors, like pension funds for unions and insurance companies, with patient capital and a long-term investment outlook, are essential to support PBR development.

• (1635)

The low margins, which thankfully will now be made a little bit better thanks to recent GST changes, are why most developers have built condos instead of PBRs over the years and why we don't have enough PBR in Canada now.

Right now, with interest rates high, making financial construction issues even more expensive, it makes more sense for investors to invest in GICs at a 5% return rather than apartment development. Investment in PBR is not a get-rich-and-get-out investment; it's a long-term investment, and we need private, patient capital to make that happen.

I'd be happy to speak to the many other barriers beyond these I just mentioned, as well as to other drivers of increasing house prices, which many of you have heard from me before, but I'm out of time.

I look forward to your questions. Thank you.

• (1640)

The Chair: Thank you, Mr. Lee. There will be a lot of time for questions.

Now we're going to the City of London and Mayor Morgan, please.

Mr. Josh Morgan (Mayor, City of London): Thank you to members of the Standing Committee on Finance for inviting me to be here today as a witness to provide insights on this critical issue from my perspective of mayor of the City of London.

Let me first recognize the members of Parliament from London: Peter Fragiskatos, Arielle Kayabaga, Lindsay Mathysen and Karen Vecchio. I want to say that I value my relationship with each of them and deeply appreciate their commitment to our community, their constituents and their desire to work collaboratively on tangible solutions.

I also want to once again thank the federal government for choosing London as the first community in all of Canada to receive funding through the housing accelerator fund. The \$74 million announced last month will allow our city to facilitate the creation of an additional 2,187 new homes over the next three years. That's an increase of 23% more than we otherwise would have built. It will also provide opportunities to support our unprecedented health and homelessness system response while exploring a series of innovative housing solutions, including the conversion of vacant office space downtown into rental housing.

I'm here today as the mayor of a city with a unique perspective on housing affordability. We are one of the fastest-growing cities in all of Ontario and one of the most rapidly expanding population bases in all of Canada. We've enjoyed many benefits as a result, but London has also experienced a variety of challenges, affordability being chief among them. In the face of soaring rental rates and housing prices, our council has committed to permitting the construction of 47,000 new homes over the next 10 years.

Across Ontario it's estimated that we need at least 1.5 million new homes over the next 10 years to adequately house the population. Meanwhile, there's never been a period when more than 850,000 have been built in any decade. It's clear that we have an unprecedented challenge before us.

All levels of government must commit to prioritizing the development of housing within existing urban and suburban areas in order to expedite housing development that is cost-effective and delivered in the most timely way. Maximizing the use of existing and easily expandable physical infrastructure, including pipes, roads and transit, is the fastest and most effective use of resources to provide new housing through intensification, infill and logical extensions of existing development.

The cost of available land is also a critical element in establishing feasibility of all housing developments. Given the extent of land owned by the Canadian government, a real difference could be made if the not-for-profit housing sector could gain preferential access to some of these lands. Long-term, no-cost or low-cost land leases for not-for-profit housing corporations for the purpose of building affordable housing would render many new multi-residential development projects feasible while the government retains the land assets in perpetuity.

Any and all economic stimuli directed towards the development of purpose-built rental accommodations will help in getting the most necessary forms of housing built. The recent decision to eliminate the GST on purpose-built rental construction through a rebate

program is a valuable first step in creating a climate conducive to the development of affordable housing. Retroactively adjusting the start date for this program from mid-September to the beginning of the federal fiscal year would have an even greater measurable effect on the development of affordable housing by making eligible hundreds if not thousands of projects that have already substantially cleared local planning hurdles.

Offering discounts on interest rates on affordable and supportive housing projects through the Canada Infrastructure Bank would immediately result in the development of proposals for the most-needed forms of housing and would be instrumental in addressing our most vulnerable populations' housing needs.

Re-establishing a newly focused multi-unit residential benefit, or MURB—a de facto tax deduction for investors and carefully selected purpose-built and affordable residential development projects—could contribute to numerous new housing projects for the most underserved niche in the housing supply in many cities.

The federal government should revisit the HST rebate threshold established in 1991. Given that the cost of housing has at least doubled since that time, a commensurate doubling of the \$350,000 to \$450,000 HST rebate would have enormous affordability benefits for first-time homebuyers, who may vacate existing rental properties to buy a new home.

Finally, I would be remiss if I did not make reference to the most valuable element in the housing continuum. That is the human element responsible for building homes. Federal programs that contribute to an increase in the pool of skilled labour that builds homes are enormously valuable. Whether through targeted immigration or the implementation of complementary skills development programs with the provinces, the expansion of Canada's skilled labour pool is essential for the expansion of our home-building capacities.

I want to thank you for this opportunity to present some of these ideas today. I believe that the issue of housing is a shared responsibility, and being able to work in partnership across all levels of government and industry partners is critical to our tackling the housing affordability challenges in this country.

Thank you.

• (1645)

The Chair: Thank you, Mayor Morgan.

We'll now hear from the Fédération québécoise des municipalités. Via video conference, we have Claire Bolduc and Maryse Drolet. They will be sharing their time, I understand.

Ms. Claire Bolduc (Reeve, Regional County Municipality of Témiscamingue, Fédération québécoise des municipalités): I am going to talk for the two of us.

[Translation]

Mr. Chair, members of the committee, thank you for this opportunity to talk to you about the vision of the Fédération québécoise des municipalités, or FQM, on housing. We want to help ease the housing crisis that is currently affecting all regions of Quebec and Canada.

The FQM is a dynamic organization representing more than 1,040 local and regional municipalities in Quebec. It is also the voice of Quebec's regions.

The FQM is very concerned about the housing shortage. Over the past two years, we have made digging into this issue and finding potential solutions a priority for our governing bodies, our standing committees and our board of directors. Their thoughts have been captured in a document that your clerk will have translated and sent to you.

The FQM sees the housing crisis as a historic event that is currently affecting every one of our regions. Exacerbated by the COVID-19 pandemic, the crisis directly impacts local and regional economies, territorial vitality and community dynamism. It is a barrier to all the strategies we can use to address the labour shortage and attract workers. Housing has therefore become a key factor in regional economic development, and that is primarily a municipal matter.

The FQM chose to take action to meet these needs and support the creation of rental housing. For example, it launched initiatives relating to the adoption of housing policies and the development of guidance for developers and cooperatives to help owners better manage their properties. It also hired project managers responsible for housing to help coordinate decision-making and measures implemented in our jurisdictions.

The FQM is also actively working to set up funding programs because the goal is to build 860,000 new housing units in Quebec by 2030 to ensure some degree of affordability. As a result, the current context is forcing us to rethink how we approach housing at this level and to be bold if we really want to meet these needs. In Abitibi-Témiscamingue, for example, the resident population of about 150,000 people has remained relatively stable for 20 years. However, the region currently lacks almost 6,000 housing units, whereas we were able to meet all the housing needs of that same population 20 years ago.

What has changed is people's lifestyles and how those units are used. Consider short-term rentals and commuters who come and work in our communities but don't live there. Another factor is vacationing and tourism that's based in those units.

We're not looking to urban sprawl as a solution; we want people to live in the regions.

In very concrete terms, we at the FQM believe that housing is a key component of land use planning and any strategic planning aimed at dynamic land use. To address the current crisis, we want more flexibility and agility right in our communities. We want the tools that will enable us to face these challenges to respond quickly to demand and ensure the housing supply can quickly keep pace with demand.

This means all levels of government have to agree on certain legislative provisions and, of course, financial supports. We're very pleased with the \$900-million funding agreement between the Government of Canada and the Government of Quebec. We'll see what happens next.

When it comes to housing, decision-making power must rest with the level of government closest to the people, with the regions, communities, cities and municipalities.

• (1650)

We believe that, in Quebec, the RCM is the most appropriate level of local or municipal governance to face this challenge.

Support program management also needs to be decentralized. The financial resources needed to address the problem should be allocated equitably in a way that takes the very diverse needs of the regions into account.

In some places, what's needed is rental housing, but in others it's single-family homes. We have to be able to adequately meet different needs because we have different populations and different demands.

Basically, development plans must be adapted to meet the specific needs of rural communities, which are not the same as those of large cities in Canada and Quebec. In our opinion, local management of housing support programs will make it possible to better meet everyone's needs, from rural to urban, from apartments for one to homes for families—

The Chair: Thank you, Ms. Bolduc.

[English]

There will be a lot of time during questions to be able to expand.

Ms. Claire Bolduc: I have to leave at 5:30. I'm sorry.

The Chair: Okay. Thanks for letting all the members know.

If you have questions for Madame Bolduc, please get them out before 5:30.

We're going to HousingNowTO with Mr. Richardson.

Go ahead, please.

Mr. Mark Richardson (Technical Lead - Volunteer, HousingNowTo): Good afternoon. Thank you for inviting me to appear before you for the very first time at your committee today.

My name is Mark Richardson, and I'm the technical lead volunteer at HousingNowTO, which was created in 2018. We are a pro bono professional services collective that leverages our members' open data, civic tech, urban development and financial analysis skills to help the City of Toronto successfully achieve its targets for new-build, affordable rental apartment developments by 2030.

We need our federal parliamentary leadership to focus on delivering surplus lands, approvals, funding, speed and certainty to non-profits and their pension fund and private sector development partners. To be 100% clear, we do not represent the City of Toronto, CreateTO or Toronto Community Housing here today.

Our HousingNowTO volunteers come from varied planning, architecture, technology, construction, educational and institutional backgrounds. We work to ensure that all new-build affordable rental apartments in Toronto are viable, fundable, buildable and sustainable over a full 99-year period of affordability.

We are an unpaid advocacy group. We're a think tank that focuses our work on answering the three key questions that jeopardize all new affordable rental apartment developments in 2023.

First, does it pencil? Does this project make any financial sense? Who's going to carry the risk?

Second, does it scale? Can this project be expanded or repeated?

Finally, how can we speed up the delivery? What are the delays, and how can they be removed?

Since early 2019, the City of Toronto has formally dedicated 22 parcels of surplus city-owned land and has layered on financial incentives with a combined value of over \$1 billion in the HousingNowTO program. That surplus land has been proactively up-zoned to create more viable opportunities to develop approximately 17,000 new mixed-use, mixed-income apartments and condos in transit-accessible neighbourhoods throughout the city. This is slowly being accomplished via City of Toronto partnerships with the private sector and indigenous, co-op and non-profit developers and operators.

The first successful HousingNow site—with 725 new rental apartments, including 218 new affordable rental units—finally broke ground 10 weeks ago near Etobicoke's Kipling subway and GO Train stations.

Every one of these HousingNow developments needs aggressive policy, processing and financial support from our federal government. It is also a model that the federal government should consider for its own surplus lands that are located within the City of Toronto. The land is leased for 99 years; it is not sold. The land is aggressively up-zoned for scale and viability before it goes into the leasing market. A minimum of one-third of the units or residential space is committed to affordable rental apartments for the full 99-year term of the land lease. Additional incentives, rebates and tax waivers are applied to deepen the affordable rents on different segments of those apartments. Partnerships are enabled and supported between the private sector and indigenous, co-op and non-profit partners on HousingNow sites.

Through our volunteers' work with the University of British Columbia's housing assessment resource tools, or HART, we have identified that the City of Toronto alone has a deficit of over 210,000 apartments that we need that would rent below \$1,700 per month, according to the 2021 census. Over 70% of full-time, minimum-wage households in Toronto could not find affordable rental housing in 2021. Those numbers are only worse today in 2023.

All of our federal political parties agree that we have a housing crisis. Canada's largest cities have a housing emergency, and it requires our federal government to have a wartime response to deliver net new supply at speed and at scale.

Time is the enemy of new affordable rental apartment developments everywhere, especially in Toronto. A standard 600-square-foot, affordable rental apartment in 2010 would have cost about \$210,000 to build. By 2017, that same apartment's development cost had risen to \$276,000 per unit. As I sit here today, that same apartment development's costs now hover around \$470,000 per unit.

While we sit in this meeting, construction costs are increasing, and they are continuing to rise. Affordable rental housing developers are all holding their breaths to see what the Bank of Canada's next interest rate announcement will be on October 25.

Thank you for your time.

• (1655)

The Chair: Thank you, Mr. Richardson.

Now we'll hear from the Ontario Home Builders' Association. Ms. Sue Wastell is appearing via video conference.

Ms. Sue Wastell (Builder and Developer, Wastell Homes, Ontario Home Builders' Association): Thank you, Mr. Chair.

I am very pleased to be here today to bring an Ontario perspective to the discussion, given our need to build over 1.5 million homes in Ontario by 2031 to address the housing shortage in this province.

As co-president of Wastell Homes, a family-owned builder-developer in London, Ontario, I am a current board member of the London Home Builders' Association, as well as its past president. I've been a board member of the Ontario Home Builders' Association and I am president of CHBA.

On that note, I'm pleased to see our mayor, Josh Morgan, appearing today.

In my roles with the association, I've always strived to develop workable policies to deal with housing affordability. This has always been a priority of all three levels of our association, and with my own children coming into adulthood, it's doubly important for me to ensure home ownership isn't out of reach for Canada's next generation.

As Kevin mentioned in his remarks, the current housing crisis is rooted in many issues that must be addressed, and at the top of that list is insufficient housing supply. In order to tackle this and thereby help address housing affordability, the OHBA has developed five priority action areas for Ontario. Given that this is a Government of Canada committee, I can tell you from my work with CHBA that they apply almost everywhere across the country.

The first priority area is to make homes more affordable by speeding up approval timelines and eliminating red tape. Most municipalities in Ontario experience delays in development approvals for building new homes long past reasonable regulated time frames. These delays can last years, and they add significant costs to the price of a new home. Every year that a municipality delays an approval decision in Ontario, it costs homebuyers an additional \$36,000 for a typical low-rise home and an additional \$26,000 for a high-rise apartment. More needs to be done to establish and enforce reasonable time frames for new home construction approvals.

To further address the issue of lengthy approval timelines that add to the cost of building housing, the OHBA is looking to the province to link municipal access to infrastructure funding to meet new housing start targets, just as we understand the federal government is looking to do. Municipal delays have forced many in the industry to appeal to the provincial agency that settles development disputes, the Ontario Land Tribunal. The magnitude of delays has created a substantial backlog which is also adding time and cost to the building of new homes.

The second priority area is to make new lands available to build housing. Housing supply and costs are dependent on land availability, and the supply of available lands designated for growth across municipalities is dwindling rapidly. Similarly, the addition of new housing within existing communities is severely restricted by municipal zoning and Nimbyism. This prevents the addition of supply and drives up costs. As a result, land values for service lots across the province have increased, and in some cases have tripled or quadrupled, adding hundreds of thousands of dollars to the cost of a new home.

The third area deals with development taxes. Development taxes are out of control, and now make up a significant portion of the cost of a new home. Recent studies by the Canadian Centre for Economic Analysis show government-imposed costs contribute over 30% to the cost of a new home in Ontario. All of these fees are passed on to the homebuyer. Through these fees and charges, municipalities have amassed large reported surpluses. For example, in the GTA alone, these surpluses are in excess of \$5 billion.

The fourth area pertains to the need to lay the groundwork for future growth. The supply of housing is highly dependent on critical services and transportation infrastructure. Prolonged delays of infrastructure projects delay and threaten the delivery of much-needed housing. We need all levels of government to make funding and completing these projects a priority. The federal government is in an important position to ensure its funding investments go towards housing-supportive infrastructure—for example, for public transit and wastewater. Building homes is the easy part, but if we cannot connect to municipal services, we cannot create our much-needed housing supply.

The fifth and final priority area for OHBA is to take the local politics out of planning. Nimbyism plays a huge role in slowing or stopping much-needed housing supply. There is strong pressure for individual municipal councillors to get behind community opposition to growth and development because they are elected by existing residents, not future ones. We need to change municipal processes through measures like as-of-right zoning to get the politics out of planning. The federal government is in a position to support that message and also use its fiscal levers to enforce it.

The housing file is deeply complex, and it will take prolonged and concentrated efforts by all levels of government to address the crisis we face. Our industry is ready to play its part.

● (1700)

I thank you for the opportunity to appear as a witness today and I look forward to your questions.

The Chair: Thank you, Ms. Wastell.

Now we're going from London, Ontario, to Winnipeg, Manitoba, and we'll hear from Dr. Shauna MacKinnon, please.

Dr. Shauna MacKinnon (Professor and Department Chair, Urban and Inner-City Studies, Manitoba Right to Housing Coalition, The University of Winnipeg): Good afternoon. Thank you for the invitation to participate today as your committee studies the important issue of housing affordability.

My area of expertise pertains to the crisis related to rental housing for low-income households. I'm the principal investigator in two Social Sciences and Humanities Research Council-funded projects focused on issues related to public policy to address poverty and inequality. Housing is the central focus of our work.

In collaboration with university researchers and housing advocates from across the country, we are examining the crisis in low-rent housing and potential solutions. The housing crisis that we now face has been building for a very long time and it won't be easily solved.

The solution begins with a fundamental shift in thinking about housing as a societal foundation rather than as a means to accumulate wealth. Housing is among the most basic of needs that, if not met, lead to a host of social and economic problems that affect us all.

The challenges Canada faces regarding access to affordable housing are not unique. Many nations with similar levels of economic wealth are dealing with this issue. However, some nations are more successfully tackling it. These nations are recognizing that the decades-long experiment of trying to solve public problems such as housing for low-income households through profit-motivated means have failed. These countries are scaling up investment in social housing, having learned that the private market simply does not produce good-quality housing that is affordable to the lowest-income households.

When examining rental market needs, it is important to note that although housing demand is outpacing supply, rental housing is being built; however, the rental housing that is most needed is not. CMHC reports that across Canada, rental affordability for the lowest 20% of income earners is especially challenging. Rental housing affordable for these households is virtually non-existent in urban centres. With a few exceptions, the rental market share that is affordable for low-income households is less than 5% in major centres. It's 1% in Vancouver and near non-existent in Ontario cities. Units that are available are typically bachelor or one-bedroom, and these are inappropriate for families.

At the same time that almost nothing is being built for low-income renters, the supply of existing low-rent units continues to shrink, with a loss of more than 300,000 units between 2011 and 2016 alone. This trend is exacerbating the desperation of low-income renters and revealing a serious flaw in public policy that has been built on the notion that the private market will fix this problem, even though decades of evidence shows that it will not.

Canada is lagging behind other OECD countries that have recognized the importance of social, non-market housing as part of a broader housing strategy. Canada ranks 20th among OECD countries in terms of the percentage of social rental dwellings as the share of the total number of dwellings. The OECD average is almost twice as high as the rate in Canada. Clearly, we can do much better.

Housing researchers look to the 1980s as a period of significant change and the beginning of the crisis we are now in. The federal government backed away from its commitment to social housing in the 1990s, and private developers moved away from purpose-built rentals. The current low-rent supply has led to soaring rents, even in jurisdictions with rent controls, which have typically been seriously weakened. Special tax treatment for real estate investment trusts continues to fuel the financialization of housing, further entrenching a culture of housing for investment rather than for a home.

In 2017, the Government of Canada implemented its national housing strategy with the primary goal “to make safe and affordable housing accessible for the most vulnerable Canadians and for those struggling to make ends meet.”

The strategy has failed to produce the housing needed for the most vulnerable renters, largely because it has focused almost solely on subsidizing the private market. It is notable that a mere 3% of units funded through the national housing strategy's largest program are affordable to low-income renters. The rapid housing initiative created during the pandemic has been more successful, but it is far

too small a program to have had an impact. It needs to be expanded.

Through research and dialogue with colleagues, advocates and precariously housed people from across the country, we have determined that essential to solving this problem for those who are most vulnerable is an immediate expansion of social housing. Our research consortium is calling on the Government of Canada to work in collaboration with other levels of government to invest in adding a minimum of 30,000 net new social housing units annually over 10 years, with rents that are no more than 30% of household income in perpetuity, starting in budget 2024-25.

We are also calling on the government to invest in the acquisition, construction, operation and maintenance of new and existing public, non-profit and co-operative-owned housing that meets the unique and varied requirements of people experiencing core housing need and homelessness.

● (1705)

Thank you.

The Chair: Thank you, Dr. MacKinnon.

It's great to have so many expert witnesses with us today. You have your finger on the pulse of everything that is housing.

I know the members are eager to ask questions. We are going to get into it right now. In our first round, each party will have up to six minutes to ask questions.

We're going to start right away with MP Lawrence for six minutes.

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

Thank you to all the guests and all the folks from London who have joined us today. It's great to have you here.

I'm going to focus my questions and comments on home builders, on Ms. Wastell and Mr. Lee. Either one of you is welcome to jump in and answer.

You talked a bit about the effect of interest rates in both your submissions and testimony today. I want to be clear on one thing: It's not just the interest rates that affect the actual homebuyer; it's the home builders as well. As interest rates continue to creep up—as former Liberal finance minister John Manley said—and as this government continues to spend, Governor of the Bank of Canada Tiff Macklem is forced to hit harder and harder on the brake, which is increasing interest rates.

Would you please comment on the effect? I think it's rather obvious with respect to homeowners, but could you also comment on your members and their ability to make use of the capital and build homes if interest rates continue to creep up.

Mr. Kevin Lee: I'll start off and then pass it on to Sue.

You're exactly right. Of course, with higher costs of borrowing money, it becomes that much more difficult to finance construction. This results in increased costs, but it can also result in less financing coming from financial institutions, coupled with house prices that are slowing.

You can be in mid-construction—I bet Sue can speak to this—and your development can come into jeopardy simply because of the changing financial regime. Even though you still want to move forward, maybe your margins are going to be lower or the financial institutions won't proceed. There are definitely a lot of knock-on effects from higher interest rates.

The same goes for... We've heard talk of purpose-built rental. It gets harder and harder. On any construction project, you're trying to make sure—using Mark's term—that it “pencils out”. With higher borrowing costs, a lot of projects stop pencilling out. We've certainly seen, across the board, a lot of projects delayed, even for homeowners. We have projects not going forward because they don't pencil out right now. They know they won't be able to sell.

Sue, do you want to add to that?

• (1710)

Ms. Sue Wastell: Sure.

I would totally agree with Kevin.

I think that right now we have a very low surety regarding our customer. We're not certain that projects we were going to move forward will actually sell in today's climate, with the interest rates as they are and being so hard to qualify for, and with the stress test being so high. This has caused projects to go on hold, which is certainly not helping the overall demand that we know is out there.

However, we are lacking the surety on what's going to happen six months from now, when those units are able to come on the market, so everyone is holding tight at the moment.

Mr. Philip Lawrence: Thank you very much for those answers.

One of the comments that caught my ear, which I'll comment on quickly, was what you said about GICs now approaching a rate that may make it more profitable for some builders to put the money into a GIC as opposed to actually building homes. We're seeing that on a larger scale, of course, with the bond market as well. Canada has a productivity crisis, as I'm sure you're aware. It's affecting your industry. It's affecting all industries. Removing that capital is just going to make it more and more challenging.

The numbers, Ms. Wastell and Mr. Lee, are staggering. I truly do wish you Godspeed, because we're building at, I believe—and you can correct me if I'm wrong, as you're the experts here—1970s levels. We are about 3.5 million doors short of what we need by 2030. I believe we need a full-court press effort to enable and encourage you to do everything you can, and to empower your members to do everything they can to build houses.

A couple of weeks ago, the CMHC was here, and I asked them point-blank whether the current federal government's policy is sufficient to bridge this gap. They were quite clear and pointed when they said, “No”.

I'm going to ask you that same question: Are the current policies of this federal government sufficient to bridge the housing gap?

Mr. Kevin Lee: Every level of government needs to do a lot more. I think the term “wartime effort” has been used, and I think that's where we are.

The current government has taken some steps in the right direction. It's going to take a lot more to get from here to there.

Mr. Morgan was talking about the issue on GST on new homes. We do need to change the immigration system to get more labour. We do need to see the tying of infrastructure dollars and transit dollars to housing outcomes, which I think all levels of government are now getting on board to do. That's good. There's an awful lot that needs to be done to roll that out.

To your comments about GICs and the low rate of return, I think it's really important that we focus on.... It's not our developers necessarily investing those dollars. In many cases, as I said, those that are investing institutions—pension funds and that kind of thing—that can put their money anywhere.

For those who think that the market has failed for affordable housing, the market isn't supposed to deliver below-market rate affordable housing, by definition. You talked about the cost of construction going from \$200,000 a unit to \$400,000 a unit; there's a reason. The market isn't providing \$180,000-per-unit buildings because it's not affordable. That is when governments need to step in.

However, if we don't fix housing affordability in the market rate, we will never be able to build enough affordable housing. I really think it's critical that while we focus on the importance of affordable housing and social housing, everybody also has to focus on construction costs, immigration and everything in the market rate because if people can't afford to buy and rent homes in the regular market, we will never have enough social housing and affordable housing.

• (1715)

The Chair: Thank you, MP Lawrence.

Now we'll go over to MP Dzerowicz, please.

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

I want to thank all our speakers today for their excellent presentations.

Mr. Lee, I think we're going to adopt you as part of our committee. You come all the time. It's always great to hear from you.

I'm going to start off where my colleague started off—around inflation—because sometimes you have an audience that listens, and it sounds like we have inflation only in Canada. Would you agree that there is inflation around the world and that these increasing costs are causing housing prices and the cost of building new houses to be an issue around the world?

Mr. Kevin Lee: It's an issue around the world, 100%, as are many of the challenges we face, like supply shortages and immigration.

I'm past chair of the International Housing Association. I was just there a few weeks ago. In Australia, England and the United States, everybody's facing similar issues.

Ms. Julie Dzerowicz: Thank you.

I have met with all the developers in my riding. I have also met with all the non-profits that are trying to build deeply affordable homes, so I come from knowledge, at least, from the people in my community.

Those developers that are looking to create projects were having trouble with inflation in terms of “pencilling it out”. I think Mayor Morgan talked about that.

We have introduced the removal of the GST on the construction of new apartment buildings. I have heard from a number of developers that this has helped them to get from red into the black.

Would you agree that this is what you're hearing? I will ask Mayor Morgan to respond and maybe Mr. Lee as well, very quickly.

Mr. Josh Morgan: Sure. I'm happy to go first.

First, pencilling it out was Mark's thing. I would love to take credit for other people's comments, but I can't do that.

I think any measure is helpful. It depends on where they are in the margins. If that's the piece that pushes them over—

Ms. Julie Dzerowicz: Have you heard some developers say that they have been able to—

Mr. Josh Morgan: Yes.

Ms. Julie Dzerowicz: Have you also heard that, Mr. Lee? Yes? Okay.

I don't want anybody to believe that this is the magic bullet. We know there are a lot of issues. One key thing that I find very frustrating when we're having this discussion here is that a lot of measures are needed at the provincial and the municipal levels.

Often when you're talking about things, people don't know that when you're talking about rent control, it's actually provincial. When you're talking about zoning, that's municipal. When you're talking about the Ontario tribunal, that is Ontario. It's difficult.

In your responses, it would be very helpful if you can speak to that as well. It helps us to understand the complexity and how we craft those together when we're making recommendations.

One thing that our Minister of Housing, Infrastructure and Communities is focused on is how we protect the existing affordable stock. It's a real issue for us.

Maybe I will start with you, Mayor Morgan. Can you spend 30 or 45 seconds telling us what some of your recommendations for doing that might be?

Mr. Josh Morgan: To protect the existing affordable stock, the challenge we have with the affordable stock, particularly in Ontario, where we were able to create a number of units under bonus-ing with provincial rules, is that much of the housing that is below market rate will expire at some point in time. It may be 40 years, 30 years or 50 years—it depends on what it is—so we need to have the ability to create more.

Even with that market rate housing, one of the vulnerable pieces we found is that you can use certain tools that we used to have to create some level of affordability, but there is a depth between rent-geared-towards-income housing and slightly-below-market-rate housing, where there have to be other partners involved who are supported.

In London, the municipality is directly involved in builds now—one of them is in partnership with the federal government on Sylvan Street—because we know that we can't find a spot to produce those rents that are in that missing middle gap. Unfortunately, in a rising interest rate environment and when what people can afford is diminishing and their mortgages are coming due, there may be more people moving into that space. Supporting and creating that missing deeply affordable middle piece is important.

You want to ask how we protect it, but there's a gap there anyway, so it's a point of creation.

We've been very successful in using the rapid housing initiative money to try to create those. We'd always be happy to take more money, and a fourth and a fifth round would be great. It has helped municipalities to partner, but something that was said was that the market isn't going to produce it on its own. I don't think it's just protecting the ones that are expiring; it's creating that piece in the gap.

Ms. Julie Dzerowicz: I'm going to go to one final question in a minute.

We've heard that when someone moves out of their apartment in Ontario, it can be rented out again, and the average price increase is 29%.

Would you agree that there's a provincial role in terms of putting some regulations around not allowing that amount of increase?

• (1720)

Mr. Josh Morgan: Yes, there is a provincial role. There's a role for all levels of government. That is an issue. Whether it's renovations or the difference between existing people in housing and the new builds and the difference in rental rates, it's a huge issue, and the province absolutely has a role to play on the rental rate side of things.

Ms. Julie Dzerowicz: My final question is to Mr. Richardson.

Thank you so much for being here. Welcome on your first time here.

One thing that I know has been talked about is a need for us to change the equation for non-profits that are trying to create deeply affordable homes. Do you think that's something we need to look at?

Mr. Mark Richardson: Yes, 100%.

I'll add a number in for you as well on the HST that you mentioned earlier: The HST savings we calculate on a 600-square-foot affordable housing unit in Toronto is about \$48,000 a unit.

I'm sorry; I'm going to need you to repeat your question.

Ms. Julie Dzerowicz: Do you believe that we need to change the equation for non-profits that are trying to create deeply affordable houses?

Mr. Mark Richardson: Yes, 100%. They need speed and they need certainty.

The monies change a lot. The co-investment fund was \$150,000 a door; then it was \$25,000 a door, and then it was \$75,000 a door. That's all changed, so they don't know what they're entitled to when they're trying to do these calculations.

If you want deeply affordable units that are renting for under \$800 a month in the city of Toronto, you need to be offering long-term, stable subsidies in order to be able to keep those deeply affordable prices.

Ms. Julie Dzerowicz: Thank you.

The Chair: Thank you.

Thank you, MP Dzerowicz.

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

[*Translation*]

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

Good morning to all the witnesses. We really have an extraordinary panel of witnesses. We're covering a lot of ground and taking notes.

I have some questions for Ms. Bolduc before she leaves us.

Madam Reeve, if you have to go, I'll direct my questions to your colleague, Ms. Drolet.

Ms. Bolduc, do you want to finish your remarks? The chair, who times these things, had to interrupt you.

Ms. Claire Bolduc: In short, I was saying that decisions should be made as close to home as possible, and the municipal sector

should play a major role. Locally managed housing programs work better.

I would also note that both cities and rural communities are facing challenges, but they are each facing very different challenges. Solutions can potentially be implemented faster, but it's much harder to find the means.

Mr. Gabriel Ste-Marie: The programs are meant for everything from small towns to the megacity of Toronto, but they're not tailored to distinct needs. You mentioned a need for flexibility and agility.

Can you explain that, please?

Ms. Claire Bolduc: When we talk about housing, we're talking about land use planning and infrastructure that allows for the deployment of the types of housing units that will best suit local populations. In rural communities, people are more interested in single-family homes and less interested in multi-unit housing. Who better than local authorities to identify and meet needs?

I've heard about all the problems with bureaucracy in cities. We know Quebec has those problems too, but it's a lot quicker and easier to get permits and construction facilities in rural communities.

Housing and land use planning are key. As such, agility is also about how we meet those needs. I am very familiar with rural Canada, and I know there are town cores in every established rural community in Quebec and across Canada. Unfortunately, those town cores tend not to have local services, which hinders the construction of what is typically affordable housing there.

We also have to think about how to make the best possible use of all the spaces we have. Here again, RCMs, associations of municipalities in Quebec, are experiencing similar circumstances in similar places. These municipalities are often in the best position to make good decisions about development types and supports, and to plan for that. We need to do a good job of planning and coordinating development and taking concrete action in our regions. We have to make the best possible decisions and have a comprehensive vision for our regions.

That vision needs to cover the medium term and the long term. Current programs are only for the short term. Ontario builders and municipalities have complained about how there's no predictability, so a short-term vision is a real obstacle to getting all kinds of housing—be it social, affordable or higher-end—to market.

Thank you for your question.

● (1725)

Mr. Gabriel Ste-Marie: Thank you very much. You've given me a lot of very interesting information.

I fully understand the importance of predictability. We hear about that a lot. Meaningful development can't happen without predictability, which is why medium- and long-term vision is so important. At the same time, there is a crisis right now, and we need new housing urgently.

One of the points you raised struck me. You talked about the importance of making sure town cores get their share too. When governments in Ottawa and Quebec City grant funding, it seems tricky to come up with an approach that is equitable for town cores where there's lots of development potential.

Can you expand on that?

Ms. Claire Bolduc: Thank you for your question.

I'll illustrate that very simply.

It's not complicated: for proper planning and agile, effective execution, you need both feet on the ground and mud on your boots. Parliament Hill in Ottawa is very far removed from the day-to-day, concrete reality of municipalities. The same goes for Quebec City, Toronto and Victoria. Provincial governments are also far removed from the day-to-day reality of contractors, municipalities and the infrastructure that supports building and project deployment.

Municipal governments are still the closest to the people and quickest to respond to their needs and ensure their day-to-day well-being. It's also the level of government that can best guide developers and those seeking housing. That all takes proper coordination based on the actual options available, be that in a community, a city neighbourhood or a rural community in an RCM. The closer to the ground you get, the better you can coordinate the process to connect people who need housing and those who build it.

That said, municipalities need support. As I said, in rural municipalities—and I think this is probably true across Canada—bureaucracy is a lot less cumbersome than in cities, where processes can take a very long time, as some builders have said. Rural communities tend to have a hard time accessing funding and finding developers that want to invest or work in rural areas.

Mr. Gabriel Ste-Marie: That's very clear. Thank you very much.

The Chair: Thank you, Ms. Bolduc and Mr. Ste-Marie.

[*English*]

Now we'll go to MP Blaikie, please, for six minutes.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you, Mr. Chair.

Thank you to our witnesses for appearing today.

Dr. MacKinnon, in your opening statement, you talked about the challenge Canada faces in terms of losing far more social and affordable housing than we're building. I think Stephen Palmer has estimated that it's a ratio of 1:15. We're losing 15 social affordable units for every one unit we're building.

I'm wondering. There was a decision taken under the Harper Conservatives, which was largely continued by the new government, to end operating agreements and mortgages for affordable and social homes that were built decades ago. It was a decision, as those mortgages expired and the operating agreements expired, not to renew those agreements. I wonder if you can speak a bit to how that helped precipitate the loss of a lot of social and affordable housing over the last 10 or 15 years.

● (1730)

Dr. Shauna MacKinnon: Sure. Thank you for the question.

That is a big challenge, and that is in part why we're losing some of the low-cost supply. Here in Winnipeg most recently, we had a large non-profit seniors' complex that was sold by a non-profit to a for-profit. Their argument was that they couldn't maintain it anymore because their operating agreement had expired, and this is the case for many non-profits.

When we talk about how we maintain existing supply, we need to renew these operating agreements. Otherwise, it's not possible for non-profit organizations to sustain them at low rents and to do the maintenance that's required. That's what is happening. They're selling off some of that supply or else they're increasing their rents to market rates.

The other issue that's happening, of course, is that there's a lack of supply and a lack of regulations, and yes, this is not a federal issue, but it is really a significant challenge in relation to all levels of government needing to be part of the solution. If we don't have strong regulations, we'll be losing a significant amount of supply through renovations. Also, units are not being maintained, but the rental rates are increasing.

We're losing supply in the private sector and we're losing units in the non-profit sector, and then, of course, there are virtually no new units being built. It's a significant problem, but yes, operating agreements need to again be part of the solution.

Mr. Daniel Blaikie: In regard to building new social housing, I know that having operating funding in place for social housing is important. We've also heard others say that low-interest loans for financing that are below market levels might create financial space to offer either affordable rents or social rents.

What do you think about the kind of mix of those solutions, such as trying to provide some of that subsidy up front on the capital side in order to reduce the operating costs of the project over time, versus having an operating agreement in place that would continue to roll out funds over time? Is one better or worse? Does it depend on the project? Are there some examples of success recently under the national housing strategy you could point to in the Winnipeg context that would light the way forward?

Dr. Shauna MacKinnon: I can't think of any examples off the top of my head, but the reality is that we need all of those things. We're not suggesting that we don't need to increase rental housing more generally, but the reality is that deeply affordable housing really needs significant subsidy.

If you want non-profits to be building it, they need significant capital grants, but they also need ongoing subsidies. When you're renting units at less than market value and deeply less than market value, as we're suggesting is needed if we're looking at rent geared to the lowest-income renters, then you're going to need ongoing subsidies, and that means operating agreements.

Part of the challenge is the loss of even the public housing supply across the country—and this, again, is more of a provincial issue—because we're not maintaining the budgets to do the maintenance. Again, you have units falling into disrepair and becoming vacant because they're in such poor repair.

There are multiple things that need to be done, then, but we maintain that if we don't focus on the lowest-income renters, the group of people who are in most dire need.... We're not going to solve this problem if we just keep developing market-level and above, or even just slightly below.

Mr. Daniel Blaikie: One of the things we've heard is that whatever else happens, it's going to cost a lot of money to be able to build an adequate amount of social and affordable housing, and there's a lot of emphasis on the cost.

Are you aware of any efforts to quantify the cost of not having this housing? We also hear from business owners who say that they can't attract talent to come work for them because there's no place to house the workforce. Are you aware of efforts to quantify the cost of not building housing so that we're not just talking about how much it costs to get that housing there?

I'll go first to Dr. MacKinnon, and then I see that another witness has put her hand up.

• (1735)

[*Translation*]

It's Ms. Bolduc. I think she has to leave soon.

Ms. Claire Bolduc: Yes, I do. Thank you very much for inviting me. Ms. Drolet will stay to answer your questions.

[*English*]

The Chair: You have time for one question.

Mr. Daniel Blaikie: Okay.

Dr. MacKinnon, are you aware of some efforts to quantify the cost of inaction?

Dr. Shauna MacKinnon: Again, we only need to look around us to see the cost of inaction as we look across the country at the number of people living without homes. We know the impact on the health outcomes. We know the impact on education outcomes. We know that lack of housing or inadequate housing has an impact on people's participation in the labour market. We know about criminal activities as a result of poverty and lack of housing. On and on, we can talk about the impact.

Yes, it is expensive, and it's only becoming more expensive as we ignore the reality. It's going to cost us money to address housing for low-income people, and there's just really no way around that.

Mr. Daniel Blaikie: Thank you very much.

The Chair: Thank you, MP Blaikie.

Members and witnesses, we're moving into our second round. The times are a little different in this round. We are starting with MP Chambers for five minutes.

Mr. Adam Chambers (Simcoe North, CPC): Thank you very much, Mr. Chair.

Welcome to our witnesses today. My brevity doesn't imply rudeness. I want to get as much in as possible.

Mr. Lee, the National Research Council has come out with the new national building code for net zero by 2030. How much is that going to add to the cost of a new house? Has your organization done any work on how much that will add to construction costs?

Mr. Kevin Lee: Yes. It's probably over \$50,000 per unit.

Mr. Adam Chambers: Thank you very much.

Who pays development charges?

Mr. Kevin Lee: It's homeowners, homebuyers.

Mr. Adam Chambers: They are first paid by builders. They float the charges until the homeowner—

Mr. Kevin Lee: Exactly. They finance them until.... It's in the cost of the house.

Mr. Adam Chambers: They're financed by the home builder, and then the homeowner has to pay for them.

Mr. Kevin Lee: Yes.

Mr. Adam Chambers: When a city increases development charges by 49%, from \$94,000 per unit for a semi-detached home to \$140,000 per unit, the homeowner pays, as does.... Someone has to float that charge until the homeowner pays. Is that correct?

Mr. Kevin Lee: Yes. You're paying interest on that charge until you then pass it on to the homeowner.

Mr. Adam Chambers: Thank you very much.

This is my last question for you.

Has StatsCan asked you for any data on who is purchasing new builds? Are they all used for primary residences? Are they foreign investors? Have you been asked by StatsCan for any of that data?

Mr. Kevin Lee: We don't have that data. Unfortunately, nobody in Canada has that data, which is a problem. There's a "flying blind" element to not having that data.

Mr. Adam Chambers: Thank you very much.

I'd like to explore that further at a future meeting.

Mr. Morgan, one thing we can do as a committee or as parliamentarians is to get information. I don't know the answer to this question; it's genuine. Do you have good information on, as an example, how many units in London today are now short-term rentals, let's say, such as through Airbnb? I don't like using names of corporations, but do you know how many units today are Airbnbs in London?

Mr. Josh Morgan: I don't know that off the top of my head.

We had previously done an analysis of that because we changed the rules around Airbnb to say that you had to live in the unit to be able to rent it out. It had to be owner occupied or owner owned, so you couldn't have three or four of them. That was a legislative change we made.

Mr. Adam Chambers: Thank you very much.

Would you appreciate data from these platforms that show how many units are available nine months a year, 30 days a year or 12 months a year? Is that something you'd be interested in as a mayor?

Mr. Josh Morgan: Yes, I'm always interested in data. Data-driven decision-making is always a good way to go.

Mr. Adam Chambers: Perfect. I'd like to help you with that at some point.

Mr. Richardson, how do we find out what surplus lands are available from the federal government? It seems hard. They're in a bunch of different places. Who knows where they live? Do you think we have a good idea of where the surplus lands are?

• (1740)

Mr. Mark Richardson: Sadly, no.

HART UBC, the program we're working with, has tried to create a tool that has surplus lands from all levels of government in a single view. The federal government isn't very good at it because it's distributed among different organizations. Here in Ottawa, some of it might be with Canada Lands. Some of it might be with the National Capital Commission or with the RCMP.

As for any question you want to ask about data, from our point of view, we want more of it, and we want more of it to be transparent. We're nerds. Let us loose on the data, but in order to do that, you have to make the data open and accessible.

Mr. Adam Chambers: Would you recommend that this committee ask for a list of all federal surplus lands so that we have it in one place?

Mr. Mark Richardson: I would, 100%. I would say that our organization would be very helpful with giving you feedback on the

parameters of what needs to be on that list. A list is no good without some information on what the parcel contains.

Mr. Adam Chambers: Thank you very much. I appreciate it.

That was rapid fire.

The Chair: You have enough time for a question.

Mr. Adam Chambers: I do have enough time for a question.

Because I got all my questions in, I'll just point out that we need more data. We need more witnesses, including short-term rental operators, who are going to explain why we don't have the data. We need to know where the surplus lands are. Somebody, for crying out loud, has to get the National Research Council and NRCan in here to explain why, despite what everybody was telling them, they've gone ahead and are going to saddle new home purchasers with \$50,000 of new costs when they change the building code.

Thank you, Mr. Chair.

The Chair: Thank you, MP Chambers.

As everybody has noticed, we have quite a force here from London. We have a special guest here, an MP from London, Peter Fragiskatos. I know that MP Mathysen is also here from London. We're going to have a lot of questions, I guess, about London.

MP Fragiskatos, the floor is yours.

Mr. Peter Fragiskatos (London North Centre, Lib.): You should be so lucky that London is so well represented here today, Mr. Chair.

Obviously, I'm going to begin with Mayor Morgan.

Mayor, thank you for being here. Thank you for the work that you're doing.

There was \$74 million recently announced for the housing accelerator fund. London is the first city in the country to receive it. How will that funding be used, specifically?

Mr. Josh Morgan: At a base level, we were going to build 9,432 homes over the next three years; now we're going to build 11,619. By "build", I don't mean the municipality will build them, but we're going to enable the creation of more stock.

There are a number of ways we're going to do that, which are outlined in our application, but at the end of the day we're going to do 23% more than we otherwise would have.

Mr. Peter Fragiskatos: You're saying 2,000 more homes will be built. What are the key...? How are you going to get there?

I know you did touch on this in your presentation, but I think it's good for the committee to know how it all works, the mechanics of this particular program, the back-and-forth, the give-and-take between the federal government in offering funding and the changes municipalities are prepared to make to receive that funding.

Mr. Josh Morgan: I'll mention a couple things and then I'll watch for the time to wrap up.

First, through the discussion of the application, there was an engagement with Minister Fraser about the number of as-of-right units that we would permit in a city and a desire to increase that, which I took to council. Council approved it, and now we've moved forward with implementation.

An important piece linked to that, which we're also looking into to ensure that it is effective legislation, is the bedroom cap across the city, which we'll review and report back on in the new year. You can have more as-of-right units, but if you have bedroom caps in part of your city, then you're essentially restricting it anyway.

That engagement was helpful in understanding the federal government's desire on those pieces and was something the city was willing to move forward with.

With the actual housing accelerator fund money, which you know is flexible—although these are the envelopes under which we plan to spend it, there is some flexibility to really go after the processes that will create the most units—we're going to do a number of things.

We're going to implement new incentives for conversions of non-residential units to residential units in the downtown core. We're going to look into new community improvement programs, meaning incentive programs in our transit areas, where we may, either for affordability or even for creating higher densification, do a waiver of some kind of development charge fees. We haven't developed that program yet, but we're looking into using some of the housing accelerator fund to develop new incentive programs that can drive both affordability and unit creation.

We're going to participate in direct builds with the federal government, as we have in the past, to actually get into that missing middle that I mentioned after the earlier question about the deeply affordable units.

We're going to invest in housing-enabling infrastructure. Although we have the development charges fund, the DC fund, the way that is planned over time isn't always conducive to the time frame for unlocking land. With some of that money, we will potentially create investments in either wastewater improvements or water infrastructure that either wouldn't be covered under the DC fund or needs to be accelerated in the time frame to unlock areas of high-density residential intensification in parts of our city sooner, earlier, and to a greater degree. We're going to use some of that, too, to invest in supportive housing, because we recognize that even the

most marginalized and vulnerable in our city deserve a place to live as well. A piece of this is about partnering to build more supportive housing, housing with wraparound service supports within our city.

● (1745)

Mr. Peter Fragiskatos: Moving towards electronic permitting is part of this.

Mr. Josh Morgan: Yes, I missed that piece. Thank you for asking.

There is a whole series of process improvements. As I said, there's shared accountability. Federal, provincial, and municipal governments, the development community, and the not-for-profit sector all have a role to play.

One of the things we need to actively work on is speeding up processes, cutting red tape, and getting things done at the municipal level. We are using some of the housing accelerator funds to improve those processes in consultation with those who use the processes, which is why we set up a housing supply committee of the city, the development community, and the not-for-profit community to dig into how to effectively use that money.

Mr. Peter Fragiskatos: Thank you, Mayor.

With the remaining time, Mr. Chair, I want to go to Sue Wastell.

Sue, it's great to see you again. Thank you for the work you're doing locally, provincially and nationally.

You've heard now what the mayor has said on electronic permitting. This is something you and I have discussed in the past. It is very much tied as part of the accelerator fund. What do you see and what do you hear in your circles, either provincially or nationally, in terms of permitting delays that we see in different municipalities, and how those delays affect construction time?

Ms. Sue Wastell: Thanks, Peter.

Locally we do already have some form of electronic permitting, but there is certainly opportunity to improve the timelines by perhaps making adjustments to that system or even going with a newer system that's available. I do know that across Ontario there are many municipalities that do not have the luxury of electronic permitting.

It's not just big developers or builders; homeowners will find a great benefit and be able to do this work and be effective in getting their permits out quicker, which will save money in the long run when it comes to housing.

Mr. Peter Fragiskatos: Thank you.

The Chair: Thank you, MP Fragiskatos. We're over time, actually, and we're going to MP Ste-Marie.

Go ahead, please.

[*Translation*]

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

My questions are for Ms. Drolet. Welcome, and thank you for being here.

According to recent Canada Mortgage and Housing Corporation, or CMHC, data, the number of housing starts in the greater Montreal area is down 58% because of construction costs and credit, or interest rates.

Have you seen a similar drop in the municipalities you represent?

Ms. Maryse Drolet (Political Advisor, Fédération québécoise des municipalités): Thank you for your question.

We're seeing that, but to a lesser extent. Is it because of interest rates? There are lots of factors to consider, many of which have been mentioned today. I'm pretty sure that the situation is similar everywhere and that the labour shortage is hurting all sectors.

Lots of people say there are plenty of projects but no developers, workers and builders to respond to calls for tender, and that slows down housing starts. Certainly, the interest rate is a factor, but construction costs are also a factor. This slowdown is multifactorial. Another thing we hear a lot is that the municipal sector is very involved.

To follow up on Ms. Bolduc's comments, I would add that we've seen a lot of people moving back to the regions since the pandemic, especially young people. Big companies' expansion plans are running into obstacles. At the end of the day, we can't accommodate the new people we would like to bring into our communities. Young people who want to come back to the regions are looking for houses, but what we're hearing is that there's nothing left for sale or for rent anywhere. Vacancy rates are below 0%. It's crazy. There's no such thing as a 3% vacancy rate anywhere in Quebec. It's a really difficult situation.

There are also all kinds of regulatory barriers. It's not the same in Quebec as it is in Ontario. Everything hinges on agreements with the Société d'habitation du Québec.

As we said earlier, we're glad there's an agreement in place, but the details are still up in the air. What we want is decentralization so municipalities can better assess and meet people's needs.

What we've found is that it's hard to get into these programs because the criteria aren't geared to our reality. That means there's no flexibility and projects take longer to get done.

• (1750)

The Chair: Thank you, Ms. Drolet.

[*English*]

Members, just quickly, this has just come to my attention. We were only supposed to be in this room until 5:30, but things got delayed today. We have it only until six o'clock, and that's coming up in eight minutes.

I'm going to go to MP Blaikie for about two and a half minutes, but then I am going to cut short MP Lawrence and MP Baker, who will each get two and a half minutes. Is everybody okay?

I'm sorry, MP Mathysen. You have my apologies. Of course, MP Mathysen is from London, which has taken over our committee here today.

MP Mathysen, go ahead, please.

Ms. Lindsay Mathysen (London—Fanshawe, NDP): Thank you, Mr. Chair, and thank you to all the witnesses. I have a short period of time, so I'd like to direct my questions to Mayor Morgan.

We've talked about it today. There are many Londoners, specifically, who are facing renovations in our city, and I've certainly been trying to draw attention to the people in my riding in those apartments on Webster Street who are facing this situation.

Would the City of London benefit from something New Democrats have called for in terms of the creation of a not-for-profit housing acquisition fund so that co-ops, non-profits and municipal governments could access funding to allow them to then purchase buildings or units that would normally be sold at that higher market rate to people who are only interested in profit and instead keep them in that not-for-profit affordable state?

Mr. Josh Morgan: I think you'd rarely find a mayor or an elected official who would say no to a new fund that would flow more money to cities, particularly to try any innovative solution, particularly for people who are likely to be evicted and who would maybe move into a space where they couldn't afford the rent.

I think there are certainly roles for the provincial government to play with what's happening in our city as well, and some of the controls—or lack of controls—that exist there. I'd have to understand better exactly what it is, but I would say that all of us should be open to many creative ideas regarding how to tackle the challenge we have.

Ms. Lindsay Mathysen: One thing Mr. Richardson spoke to was in terms of affordability and holding models of affordability in place for 99-plus years.

In terms of this accelerator fund that has been given to London, and the creation of that affordability, how long are you expecting that holding of affordability to last?

Mr. Josh Morgan: I can't answer that very specifically yet.

The fund allows us to engage in a number of activities. Until we start to develop those out with the different partners.... Some of these may be partnerships with not-for-profits and others may be direct city builds, where we might have a little more control. I know the fund flows in phases. There will be an accounting for us to create the units.

I can't answer that yet, but what I will say is that as much as possible, it is our desire to create both depth of affordability as well as length of affordability. Again, there are trade-offs on which one you are able to go for that depend on the amount of money you have. Because of the different types of housing we'll be supporting under the fund, it might apply differently to, say, supportive housing, deeply affordable housing and some of the other housing we're trying to create.

I will say we are focused on trying to create affordability with the money.

• (1755)

Ms. Lindsay Mathysen: How —

The Chair: Thank you, MP Mathysen. I know, and I apologize.

It's over to MP Morantz for about two minutes or so.

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

I have a quick question: Has the Minister of Finance accepted our gracious invitation to appear here?

The Chair: The PS is not here. I know the PS was looking into that.

Go ahead, MP Morantz.

Mr. Marty Morantz: Okay. Thank you.

I want to touch on some of the different tax treatments that might be available to incentivize the private sector and home construction.

I remember that back in the 1970s and 1980s, the multi-unit residential building program allowed people investing in real estate to take the capital cost allowance and soft costs against personal and professional income. I noticed that in your submission to the finance committee, you talked about how one thing that could be done, for example, is deferral of the capital gains tax and recapture of the capital cost allowance on the sale of rental housing if it's reinvested in rental housing.

There are other things that could be done, too, but I wonder whether you could comment on the tremendous potential of tax incentivization to help bring a solution to this problem.

Mr. Kevin Lee: I think that's very important.

In terms of new construction, the GST was our big ask. In terms of incenting the sale of buildings, which....

By the way, one of our recommendations was a tax credit to sell the buildings to the non-profit sector in order to keep them afford-

able and move them into the non-profit sector, if you were taking that money and reinvesting in new supply. Yes, capital tax deferrals and tax credits would enable people to move supply into the non-profit sector. They can have a huge.... Right now, purpose-built rental....

It's been so hard to pencil out projects for decades, so every tax measure that can make it competitive and enable the market to work is beneficial.

Mr. Marty Morantz: I think Mr. Richardson wanted to comment on this, Mr. Chair, if I still have time.

The Chair: Yes, go ahead, if you have one quick question.

Mr. Marty Morantz: Go ahead, Mr. Richardson.

Mr. Mark Richardson: We've been working with the Urban Land Institute's Toronto Affordable Housing Leadership Council, and that's one of the reports we're going to submit next month. One of the things identified in there is accelerated depreciation—reducing the early-year tax burden on rental housing by reducing taxable income in current years in exchange for increased taxable income in future years.

I'm not a tax lawyer, so I can only pass on what's going to be in that recommendation. However, in the same way that the HST helped, this accelerated depreciation might help. We need every tool. We need the Swiss Army knife approach to solve the housing crisis.

The Chair: Thank you, MP Morantz.

Now, for the final two minutes, we have MP Baker.

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

I'll direct my questions to Mark Richardson from HousingNow.

First of all, the Government of Canada recently announced that we were removing the GST on the construction of new rental housing. Can you talk about the impact of that?

Mr. Mark Richardson: As I was mentioning earlier, for a city of Toronto project of about 200 units at 600 square feet per unit, if the province joins in with you, our calculation works out to about \$48,000 per unit being saved through that tax treatment.

There are projects under way right now that aren't going to qualify for that tax treatment because it's only for new projects, not projects already in the pre-build phase. We know there are big projects in Toronto right now that don't pencil out. They will either be cancelled or flip to condo versus being purpose-built rentals, so sliding the date back as much as possible would be appreciated.

Mr. Yvan Baker: Has the province joined in on that?

Mr. Mark Richardson: It said it was going to, but I don't think it has actually passed the regulations yet. The housing ministry in the Province of Ontario has been busy with other things.

Mr. Yvan Baker: Understood. Hopefully, it will.

Dates aside for a moment, could you speak about the impact of the government's decision to remove the GST on the construction of new rental housing? What is the impact, ultimately, of those cost savings?

Mr. Mark Richardson: It makes projects more viable. The challenge is that the \$48,000 a door that we're now saving, when I talk about the acceleration, would have been more valuable if we had had it in 2016, when the costs and interest rates were lower. Intro-

ducing it now, saving that \$48,000, really takes a 2023 project back to 2019 numbers on its viability.

It's one of the tools in the Swiss Army knife, but all you're doing is counteracting the increases in interest rates and construction costs. We've set ourselves back a bit, and now we need to consider how we find other tools to improve and incentivize.

• (1800)

Mr. Yvan Baker: I often wonder what we could accomplish if we could go back in time.

The Chair: We could accomplish a lot.

Thank you, MP Baker. We'll have to think about that.

We want to thank our housing experts, our witnesses, who have come before our committee for this study on housing. Your answers to the many questions will help inform the study. We thank you so much on behalf of committee members, the clerk, the analysts, the interpreters, and everybody else here.

With that, the meeting is adjourned.

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