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Chair: Mr. Peter Fonseca



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• (1135)

[English]

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

This is meeting number 127 of the House of Commons Standing Committee on Finance.

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

Today's meeting is taking place in a hybrid format, pursuant to Standing Order 15.1. Members are attending in person in the room and remotely using the Zoom application.

I would like to make a few comments for the benefit of members.

Although this room is equipped with a powerful audio system, feedback events can occur. These can be extremely harmful to the interpreters and can cause serious injuries. The most common cause of sound feedback is an earpiece worn too close to the 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.

As a reminder, 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.

Before I introduce the witnesses, I want to thank them for accommodating the time today, because we had a vote that ate into some of the time for our meeting. I understand you'll be with us until we transition to the second panel, which will be about 12:20 or 12:25. Thank you for that.

With us today, we have, from the Federation of Canadian Municipalities, its executive director of policy and public affairs, Mathieu Bélanger. Welcome.

From the Financial Consumer Agency of Canada, we have Commissioner Judith Robertson. Welcome, Commissioner.

We also have the deputy commissioner of supervision and enforcement, Frank Lofranco. Welcome.

At this time, you will have an opportunity for opening statements, and then members will have their opportunity to ask you questions.

Go ahead, Commissioner.

[Translation]

Ms. Judith Robertson (Commissioner, Financial Consumer Agency of Canada): Thank you very much for that introduction, Mr. Chair.

I would like to thank the committee for inviting us here today.

With me is Mr. Frank Lofranco, assistant commissioner responsible for oversight and enforcement at FCAC, the Financial Consumer Agency of Canada.

For those less familiar with our mandate, FCAC is an independent federal agency that was established in 2001 to protect the rights and interests of consumers of financial products and services.

[English]

We work in close collaboration with our federal partners, including the Office of the Superintendent of Financial Institutions, the Canada Deposit Insurance Corporation, the Bank of Canada and the Department of Finance. We coordinate our activities on matters relating to financial stability, systemic vulnerabilities and the supervision of federally regulated financial institutions.

FCAC carries out our mandate in two principal ways. First, as a regulator, we supervise the compliance of federally regulated financial entities—primarily banks—with consumer protection measures that are set out in legislation, public commitments and codes of conduct. Second, FCAC is mandated to strengthen the financial literacy of Canadians. We do this in various ways, including by educating Canadians about their rights and responsibilities when dealing with financial institutions. We also conduct research and monitor trends on emerging issues that affect financial consumers.

We welcome this opportunity to engage with the committee on our work in relation to the important topic of housing finance. The impact of housing costs on household finances and the vulnerability of mortgage holders in today's environment are issues that we're keenly aware of and relate to both sides of our mandate.

Unfortunately, when we were invited to appear last fall, we misunderstood that your focus was on housing pricing and availability. We now understand that the scope of your study encompasses areas that converge with our mandate, so we're particularly happy that you invited us back.

Before responding to questions, I'd just like to highlight a couple of areas of our work related to housing finances.

On the regulatory side, the consumer protection measures we oversee apply to a wide range of products and services, including residential mortgages that are offered by banks. These measures were strengthened in 2022, when the financial consumer protection framework regulations came into force. The new framework reflects a focus on outcomes, and it puts more onus on the industry to responsibly manage how and what they sell to consumers and how they respond when disputes occur.

One example of the framework in action is the "Guideline on Existing Consumer Mortgage Loans in Exceptional Circumstances", which FCAC issued last July. We call it the "mortgage guideline" for short. Guidelines are a supervision tool that provide industry with clarity regarding FCAC's expectations for how they should comply with their regulatory obligations.

Specifically, this guideline sets out our expectation that in response to the current exceptional economic circumstances, financial institutions will adopt fair and consistent approaches when they offer relief measures to consumers who are at risk of defaulting on the mortgage on their principal residence. Importantly, the guideline is based on best practices in financial consumer protection and centred around the principles of fairness, appropriateness and accessibility, which are also reflected in the new framework. FCAC's guideline was informed by our internal research, and this demonstrates how the two sides of our mandate work together.

Since 2020, we've been conducting a monthly survey to track the financial well-being of Canadians. There is an abundance of great information in this data. We release it publicly, and we share the datasets with other researchers. We have added questions relating to housing finance in response to the challenges of the current environment. A key finding that drew our strong attention at the end of last year was that homeowners with a mortgage have been increasingly at risk of experiencing financial hardships, demonstrated by having to borrow for daily expenses or draw on savings. It was in response to these findings that FCAC acted and issued its mortgage guideline.

In addition, we continue to increase our educational efforts. We've developed new information relating to the mortgage relief measures and how consumers can make informed decisions. The theme of last November's Financial Literacy Month was focused on managing debt. FCAC recently launched a national, multimedia advertising campaign to promote FCAC's tools and resources related

to renting or buying a home and choosing, renewing and paying for a mortgage.

• (1140)

That concludes my opening remarks. Thank you.

The Chair: Thank you, Commissioner Robertson.

Now we'll hear from Mr. Bélanger, please.

[*Translation*]

Mr. Mathieu Bélanger (Executive Director, Policy and Public Affairs, Federation of Canadian Municipalities): Thank you very much, Mr. Chair.

[*English*]

Good morning to the committee.

[*Translation*]

My name is Mathieu Bélanger and I'm an urban planner. I'm also the executive director of Policy and Public Affairs at the Federation of Canadian Municipalities, or FCM.

FCM is the voice of local government in Canada. It brings together more than 2,100 municipalities in every province and territory, representing just over 92% of Canada's population.

I am pleased to speak today on issues related to housing affordability, a topic which, as you know, is crucial to the well-being of Canadians in every region of the country.

Municipalities are facing the challenges associated with the housing crisis, whether it's providing emergency accommodation for asylum seekers or refugees, finding innovative solutions to chronic homelessness or dealing with the growing number of urban encampments. Every day, municipalities act to support and accelerate the creation of new housing by improving and simplifying their administrative practices.

At the same time, municipalities are doing everything they can to ensure that new community and social housing is created quickly. For these reasons, it is important to recognize the need for urgent financial support from the federal, provincial and territorial governments.

[*English*]

As we know, the CMHC estimates that an additional 3.5 million new housing units are needed above the current trend if we are going to restore housing affordability by 2030. Considering the current unprecedented population growth that our country is experiencing, we must enable our municipalities to fully play their crucial roles in reaching that target.

Population growth is positive and transformative for Canada, and many of our communities are seeing accelerated housing construction. Metropolitan areas across the country, such as Halifax, Moncton, Kingston, Calgary and Victoria, had their highest numbers of new housing starts in 2023. All over Canada, cities and municipalities—urban and rural—are accelerating permitting, simplifying zoning rules and streamlining approvals to make sure that units can get built faster.

I'll just give you a few examples. As you probably know, Toronto now permits multiplexes city-wide, and since last year, new rules allow for up to four units on a single lot. In Edmonton, the city passed a density-boosting zoning bylaw, allowing three-storey apartments and row housing city-wide. Kelowna's laneway project has resulted in many new units through innovative infill development.

Also, many municipalities have recently accessed new funding through the housing accelerator fund. This program makes a real difference, as it facilitates the modernization of planning and approval tools and helps to fund actions to unlock housing development. It demonstrates the innovative and responsive nature of municipalities.

However—and I want to be very clear on this—in Canada, we don't just need new housing units. We also need complete neighbourhoods with good public services. We need buses running regularly and on time. We need communities where nobody is left behind without a roof at nighttime. New housing units are needed to improve affordability, but we also need the infrastructure that goes with them.

This infrastructure is mainly owned and maintained by municipalities. Here we're talking about the roads and the subway you are using to commute, the parks where you go for a walk, the facility where your trash is recycled or the shelters for homeless people. Growing the housing supply to restore affordability without thinking about the infrastructure that sustains it won't lead us to success.

In Brampton, Ontario, it was recently estimated that the infrastructure investment required to support the planned housing growth up to 2031 will come to approximately \$2 billion, which is significant. This example shows how communities are facing very substantial funding shortfalls when it's time to grow the housing supply.

We need new infrastructure funding to grow the housing supply and, in the short term, address water and waste-water infrastructure and adaptation to climate change. This is the basic minimum. In the long term, in order to ensure that Canada's growth is successful, we need a new, more equitable way to fund local governments. It is high time that we equip municipalities with revenue tools that are linked to national population and economic growth. Local governments need to be able to count on diverse, adequate and predictable sources of revenue.

• (1145)

Accordingly, FCM is calling on the federal government to commit in budget 2024 to convening provinces, territories and municipalities to negotiate a new municipal growth framework. This will position Canada to enable long-term growth and prosperity and bet-

ter respond to the need of a rapidly growing population. It will also help to provide the infrastructure that new housing needs and contribute to restoring affordability while moving toward ending homelessness.

[*Translation*]

Thank you, Mr. Chair.

Le président: Thank you, Mr. Bélanger, for your opening remarks.

[*English*]

Now we're going to members' questions in the first round. We won't get much more than a first round, but in this round, each party will have up to six minutes to ask questions.

We'll start with MP Chambers for the first six minutes.

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

Welcome, Ms. Robertson. It's a pleasure to have you here. I appreciate your eventually accepting the invitation, so thank you for supporting our study.

I wanted to talk a bit about your mortgage guideline, which I think came out June or July of last year. In September, OSFI put out a very direct note saying B-20 guidelines had to be enforced. It seems to me that there's a bit of daylight between the expectations that FCAC has of organizations and what OSFI is putting on organizations. Is that a fair interpretation?

Ms. Judith Robertson: No. There is no contradiction or daylight. I believe we sent a letter to that effect in which we tried to explain that.

The purposes and targets are different. Our mortgage guideline is intended to address temporary measures to allow consumers who are at risk of default to make some adjustments or examine their options in order to return to compliance or not.

Mr. Adam Chambers: Right, but you don't define “temporary”. Is that correct?

Ms. Judith Robertson: We don't specifically define “temporary”, but the expectation is quite clear in the guideline. The OSFI guideline, which they can explain better than I can, of course, is for new contracts or permanent changes.

Mr. Adam Chambers: Okay.

Are you following or receiving data from the institutions you regulate about how they're dealing with requests for relief?

Ms. Judith Robertson: Yes. One of the aspects of the guideline is a reporting requirement—

Mr. Adam Chambers: Is it possible for you to share some of that reporting with this committee?

Ms. Judith Robertson: Yes. It's still early days. Frank has some high-level—

Mr. Adam Chambers: To be fair, I don't have a lot of time here, so I'm not interested in getting into that right now. However, I'm interested in the output. When you present it to the government—when it's ready—we would appreciate it being tabled with this committee.

Ms. Judith Robertson: Absolutely. We will also be publishing it publicly, but probably not until next summer.

Mr. Adam Chambers: Thank you very much.

Who is paying for the relief that's being provided to consumers?

Ms. Judith Robertson: The relief would be in the form of banks forgoing something they might otherwise get, like a fee or an interest payment, so it would be the banks.

Mr. Adam Chambers: I submit that it's not the banks. It's the other consumers who are paying for the relief.

I recommend that we examine what's been happening in banks for other products and other consumers. For example, let's examine chequing accounts that still provide 0% or 0.5% interest in some cases, NSF charges that have gone up and overdraft charges that have gone up. I submit that the banks are not doing this out of the goodness of their hearts and that it's other customers who are subsidizing this relief.

In fact, because OSFI is not allowing uninsured mortgage holders to shop a mortgage at renewal, that's also where some of this margin is being made up. Now, OSFI doesn't allow uninsured mortgagors to shop at renewal, but as part of the mortgage charter, if you're insured, you're allowed to shop at renewal and you don't have to do the stress test.

I don't understand. That is a definite contradiction. I don't know if you have any comments on that contradiction.

OSFI says if you're uninsured, you have to do the stress test at renewal. FCAC and the government say that if you're insured, you can shop and not do the stress test. Am I interpreting that correctly?

• (1150)

Ms. Judith Robertson: There's quite a lot in there.

I accept your concern around pricing and whether pricing in one area is cross-subsidizing another. I think that's why pricing is a challenging issue. There are provisions to protect consumers from unfair treatment. We put a provision specifically in the mortgage guideline that addresses the fact that banks are prohibited from taking advantage.

Mr. Adam Chambers: Okay, but it still leaves a fair bit of daylight. If I have an insured mortgage, which by definition is more likely to default than an uninsured mortgage because the uninsured mortgage is greater than 20% down, why is the government allowing the insured mortgage holder to shop without doing the stress test but OSFI is forcing a stress test to be done for the uninsured? How is that a fair application of relief, if you will?

Ms. Judith Robertson: The relief measures do speak to whether it is insured or uninsured. There's no difference in the guideline between the relief measures that are expected and the behaviour that's expected towards insured or uninsured.

Mr. Adam Chambers: Thank you very much.

Someone should tell OSFI that they should allow the uninsured the same kind of flexibility.

The Chair: Thank you, MP Chambers.

Now we'll go to MP Thompson.

Ms. Joanne Thompson (St. John's East, Lib.): Thank you to the witnesses.

If I could, I'll start with you, Ms. Robertson.

When banks reach out to borrowers four to six months before their mortgage is up as part of the mortgage charter through the FES, borrowers are obviously given the opportunity to engage with the lender and hopefully find a solution that works for both parties. For clarity, are banks independently deciding who is at risk and who isn't?

Ms. Judith Robertson: Yes, that is part of their obligation. Under the guideline, the expectation is that banks must first proactively identify the customers who are at risk and then proactively reach out to discuss options with them. They're essentially trying to get ahead of problems. The earlier that anticipated problems are tackled, the more options there are for a remedy.

Ms. Joanne Thompson: I want to touch on the previous conversation around mortgage stress tests. Obviously they were introduced when mortgage rates were lower.

Would you argue that without the stress test, during high interest rate environments like the one we currently find ourselves in, the situation for mortgage owners would have been far worse?

Ms. Judith Robertson: The stress test is a prudential tool, so it's not my area of expertise. It is a macroprudential tool principally, but of course it does have a microprudential impact, which is that there are likely some borrowers who were saved from overextending.

• (1155)

Ms. Joanne Thompson: Could you speak to the banks' compliance with FCAC's mortgage guidelines? Has the compliance been high?

Ms. Judith Robertson: Yes. I'd be happy to turn to Frank, who has more detail on the preliminary reporting we've received to date.

Mr. Frank Lofranco (Deputy Commissioner, Supervision and Enforcement, Financial Consumer Agency of Canada): Thank you, Commissioner.

Thank you for the question. It's a pleasure to be with you here today.

The guideline does have a requirement for reporting. We are to receive periodic reports from the financial institutions subject to the guideline. We recently received our first set of complete data. That data is at a fairly high level. More detailed data will be submitted to us in the coming months. That's the data we hope to examine and report on.

At a very high level, we're quite satisfied currently with industry's response. The reporting shows that institutions have put procedures in place to deal with the guideline. There is evidence showing that mortgage accounts that are at risk have been identified and that people have been proactively contacted to discuss options early enough to make informed decisions. We also know that some relief measures have already been put in place with respect to some of those mortgage accounts.

At a very high level—these are estimates—the reporting shows that there are about five million mortgage accounts in relation to our guideline, that is, residential principal residences. Of those, less than 1% have been identified as at risk. Of that 1%, approximately 10% have been benefiting from relief measures. That's about 35,000 accounts deemed at risk, for which about 3,500 to 4,000 accounts are benefiting from relief measures.

Again, those are estimates. I feel confident enough to share them with you, but we're really looking forward to the detailed data that will arrive in the coming months, with a view to putting something out publicly in the summer. As was noted earlier, we'd be happy to return to the committee and share that with all of you.

Ms. Joanne Thompson: Thank you.

Could you speak to the enforceability of the guidelines?

Mr. Frank Lofranco: Absolutely. To understand enforceability in relation to our guidelines, it would help if I take a moment to step back to situate it within the supervision framework that the FCAC has established and works within. Quite simply, the supervision framework is organized around three pillars of activity: promotion, monitoring and enforcement. Specific to the guideline, the guideline is a tool to promote compliance by way of establishing clear expectations from a regulatory perspective.

I'll stick with the example of the guideline. As it relates to monitoring, we actively engage on a regular basis to identify emerging issues with respect to implementation to either get out ahead of them or ensure that corrective actions are being planned and taken with respect to them. In the case of the guideline, there is the added requirement for reporting, so obviously the reporting allows us to monitor.

With respect to enforcement, we have a bit of a graduated model, which is to say that as issues surface and we assess them against risk, we increase the intensity of our oversight and supervision. The guideline does include some important provisions—those related to the offering of appropriate products and services. There are provi-

sions in relation to disclosure and how that's provided so that it's clear and not misleading. There are also provisions with respect to express consent, which means receiving written confirmation of whatever you've agreed to.

When these provisions are found to be non-compliant, we undertake investigations, and when those investigations confirm the non-compliance, we will issue an enforcement action, of which we have more than one type depending on the nature of the non-compliance.

The Chair: Thank you, MP Thompson.

Now we'll go to MP Ste-Marie.

[*Translation*]

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

Welcome to all the witnesses.

Ladies and gentlemen, thank you very much for being here; it's much appreciated.

My questions are for Ms. Robertson and concern what is known as "negative amortization".

Do you have any data on the number of mortgage holders who are currently in negative amortization? We talk about negative amortization when the interest they are unable to pay is added to the capital.

Ms. Judith Robertson: Thank you for that question.

● (1200)

[*English*]

If I understand correctly, you're asking if we have a picture of the number of mortgage holders who are currently in a negative amortization. It's a serious issue, and we have great concerns about that.

We do have some numbers, again on a preliminary basis.

Frank, do you want to speak to the amount?

Mr. Frank Lofranco: Absolutely. Negative amortization is specific to variable rate mortgages with a fixed payment. Negative amortization will kick in when a particular interest rate triggers a situation in which your payment no longer covers your principal. If interest rates continue to change, that payment will not even cover all of the interest, thereby causing the accrued interest to be charged interest.

Our guideline specifically identifies that as a potential relief measure. I should open up parentheses here and note that FCAC does not prescribe relief measures to financial institutions, but the guideline does identify some that may be relevant. One of those is to not charge interest on interest.

This is a serious issue. It's something we're monitoring closely. Institutions do have the obligation to ensure that the products offered are appropriate for the circumstances that consumers find themselves in.

With respect to the data, again it's very high-level, and negative amortization is happening in the range of about 150,000 to 200,000 mortgage accounts. The sum total is \$5.2 million. Relatively speaking, things seem to be in hand, but we need early engagement by way of financial institutions speaking about options available to mortgage holders. That's accompanied by an expectation that institutions provide sound advice and refer customers to other reputable sources of advice to allow consumers the time to make an informed decision on how to handle that.

The guideline does have options, which I'm happy to explain further, but in principle, I think that gives you a sense of scale relative to the issue and a sense of the risk relative to the product.

[Translation]

Mr. Gabriel Ste-Marie: Thank you for providing such a comprehensive answer.

The negative amortization situation is indeed very worrying.

Can you give us more details about the options you mentioned, the ones that financial institutions can put in place?

[English]

Mr. Frank Lofranco: Yes. I'm happy to do so.

One option spelled out in the guideline is to allow for a lump sum payment to deal with the situation of negative amortization and to waive any fees or costs associated with lump sum payments. Those are typically called prepayment penalties or payment penalties.

More importantly, when dealing with amortization and the possibility of extending it on a temporary basis, there is an expectation that, one, it will be for the shortest period of time and, two, it will be accompanied by a plan to return the consumer to the original amortization period and the time will be reasonable in nature. It's also accompanied by a requirement for the consumer to have details around the long-term implications of those kinds of decisions.

The long-term financial well-being of consumers is the primary consideration, and lengthy amortizations by definition are not in the best interests of consumers. We're hoping the guideline will serve institutions and customers well to enable informed decisions to deal with the issue.

[Translation]

Mr. Gabriel Ste-Marie: Once again, thank you for providing such a comprehensive response.

The committee will continue to monitor the situation.

It's obviously very worrying to see holders of variable-rate mortgages in such a situation.

My next question is still for FCAC and concerns the report on financial well-being that you published last June.

Do you expect to see an increase in defaults and late payments over the next six months as a result of the financial difficulties faced by mortgage holders?

[English]

Ms. Judith Robertson: We certainly do anticipate, as everyone does—and by that I mean our colleagues in the federal oversight system—that in the coming months and over the next two years, as consumers hit renewal rates or hit trigger points, there will be increased recognition and realization of challenges. Those could very well result in higher levels of defaults or missed payments. I think that's a reasonable thing to anticipate. As so many mortgages were put in place at much lower rates, there's going to be an impact as those get renewed or refinanced.

• (1205)

[Translation]

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

Mr. Gabriel Ste-Marie: Thank you.

[English]

The Chair: That's the time. We're a little over.

Thank you, Commissioner Robertson.

Now we're going to MP Blaikie for six minutes.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much to the agency for being here.

I'm curious to know what circumstances you think you have to get to in order for people in a negative amortization situation to get back to their regular amortization, short of winning the lottery or having an inheritance that allows them to exercise a lump sum option. Is it really just a matter of hoping that interest rates come down fast enough so that by the time they renew, they can get back to regular amortization? What does it mean for people who have already accrued a negative amortization and are trying to get back onto a 25-year track?

Ms. Judith Robertson: It's a very serious issue. It is a concern, and it is a concern about the product. We share the superintendent's concern about the variable-rate fixed payment, because it's a complex product and it has risks that are being realized and that may not have been fully appreciated.

What we do see happening for those mortgages where possible, as Frank mentioned, is that lump sums have apparently happened and allow for a return. That is not the case for everyone, of course. We have also seen people switching to a fixed-rate mortgage with some other debt consolidation that is more reasonable.

It's very difficult to generalize. That's one reason we have emphasized the need for tailored relief measures. Each individual's circumstances and their possibilities are different, but everybody's situation will be enhanced by at least addressing and understanding the issues earlier and understanding where they have options. That could be up to and including the consumer-led sale of the residence.

Mr. Daniel Blaikie: Are you concerned that there's an issue of fairness for folks who were on a fixed term with fixed payments, had to renew in a high interest environment and really didn't have any option at all? Had they chosen a fixed payment with variable interest, negative amortization would have been an option for them, presumably, because it's something that banks seem to be doing quite a bit.

Are you concerned about what this means for folks who, as they look at a difficult economic situation, maybe regret not having chosen a fixed-payment, variable-interest option in order to access another relief tool that folks on fixed terms weren't able to get?

Ms. Judith Robertson: I'm not sure I understand the question exactly.

There is no difference in the guidance about tailored relief measures and types of relief measures—depending on what type of mortgage you have—regarding the fairness in how banks treat any consumer, regardless of the type of mortgage they have, if they are at risk of default.

If that is what you were asking—

Mr. Daniel Blaikie: Negative amortization is not coming up in the context of folks who were on fixed-interest, fixed-payment mortgage terms. They have to renew, and then either they can renew or they can't renew. There may be some other relief options. Those relief options would also be available to folks who were on a variable-interest, fixed-payment mortgage. In addition to that, people in that category have been able to access negative amortization as a temporary relief tool.

Do you think any issue of fairness arises by having negative amortization be a temporary relief tool for some mortgage holders and not for others?

• (1210)

Ms. Judith Robertson: No, I don't, because I think it's just a different mechanism. If you're on a fixed-rate mortgage and you skip a payment, you add the interest. It is akin to negative amortization, just a different mechanism, so no, I don't think there's an unfairness there.

Mr. Daniel Blaikie: Okay. I think I'm satisfied on that question.

I want to ask our witness from the FCM a question on the surrounding infrastructure required to build more homes and particularly to increase density in urban downtowns.

Could you point to a federal program under the national housing strategy that does a good job of making allowances for the kind of peripheral infrastructure—by which I don't mean non-essential—required to increase housing density?

Mr. Mathieu Bélanger: I would say that ICIP, the investing in Canada infrastructure program, was quite significant and helped municipalities put in place infrastructure to sustain growth. Also,

the current housing accelerator fund makes infrastructure investments eligible. This is something positive.

For ICIP, all projects had to be prioritized by March 31, 2023. All these projects will be on the ground between now and I think 2026 or 2027. We can see a gap coming in infrastructure funding for making sure that municipalities are able and ready to welcome growth and make the national project we are doing right now something positive.

It's essential, from our perspective, to understand that this country needs more units, as more units would have a direct impact on affordability. However, what's also required is to put in place the infrastructure that will sustain these units—the pipes required in the ground and the quality-of-life equipment, such as parks and transit, that is needed. More funding is needed on this side, because with the current state of infrastructure, just the rehabilitation required is quite important.

You mentioned the specific context of densification, which is quite interesting. Very often we're under the impression that development charges can basically cover the cost for additional units or the additional infrastructure required in the ground. That could be the case in greenfield development, but very often in the case of urban intensification, when you densify a neighbourhood there is also a need to add capacity. That's not just adding capacity on the pipe in front of the house, but expanding, for example, the water treatment plant at the end of the line. All of this basically demonstrates that needs are very important.

FCM did research a couple of months ago on the cost per unit of infrastructure to sustain any new housing built in Canada, and we arrived at a number of \$107,000, which is quite significant. If you multiply it to the scale of the 3.5 million homes needed as defined by CMHC, you see the amplitude of the national project we have in front of us.

The Chair: Thank you, MP Blaikie.

Members, we don't have time for a full round, as we have very little time, but we have enough for about two minutes for each party to ask a question or two.

We're starting with MP Morantz.

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

This is for FCAC.

Ms. Robertson or Mr. Lofranco, last year, there was a news story based on an access to information request saying that between 2019 and 2023, there were 27,323 complaints filed with your offices and none of them were responded to. I want to give you an opportunity to address that.

My basic question is, why allow people to make complaints to your agency in the first place if your agency doesn't respond to them?

• (1215)

Ms. Judith Robertson: Thank you very much for that question. I'm very happy to address it.

I read that news story. I found the news story accurate, but the headline was not.

We have a centre where consumers can make complaints, but we are not a complaint-resolving entity. We have a system for complaints, which has recently been significantly improved.

Our role in complaints against banks is to supervise this system. Banks have an obligation to have effective complaint handling. It's been significantly upgraded as a result of the framework. If consumers are unsatisfied, they have the right to go to an external complaint body, which we also supervise. We're moving to a single one. That's the complaint resolution system.

We receive complaints for information in case there is some compliance issue we should be aware of. These get reviewed by a supervisor in case we need to take action as a regulator. It's also good information generally to know what's going on in the marketplace.

The Chair: Thank you, MP Morantz. I know it went quickly.

Mr. Marty Morantz: That was short but sweet.

The Chair: MP Weiler, go ahead, please, for two minutes.

Mr. Patrick Weiler (West Vancouver—Sunshine Coast—Sea to Sky Country, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for being here today.

The first question I'd like to ask is for FCM.

I was hoping you could share with this committee whether you see it as possible for municipalities to do their part to solve the housing crisis if infrastructure funding is withheld until after housing targets are met.

Mr. Mathieu Bélanger: On a daily basis, municipalities do their part to try to solve this housing crisis.

Earlier, I mentioned the current housing accelerator fund. It basically helps address some planning, approval and permitting issues within municipalities, which is something great. However, before this program, municipalities started to streamline approval to make sure units could get built.

The numbers we're seeing right now in some jurisdictions.... For example, in B.C., Victoria and Vancouver had the highest number of units permitted in the third quarter of 2023.

Municipalities are on the line with the resources they have right now, but the existing fiscal model for municipalities in Canada is broken. This is why FCM is calling on the federal government to convene provinces, territories and municipalities to look at this and redefine what the right approach is to make sure population growth and economic growth can be a success.

The Chair: Thank you.

MP Weiler, you can make another comment, but we have about 15 seconds. I'm trying to hold everybody to the time.

Go ahead quickly.

Mr. Patrick Weiler: Sure.

What role do you see the federal government playing in funding public transit to ensure we can support the type of housing density we need to build?

The Chair: Give a very quick answer, please.

Mr. Mathieu Bélanger: FCM is calling for an acceleration to the permanent public transit fund that was announced recently, which is supposed to kick in in 2026. It's certainly a first part to the solution.

The Chair: Thank you very much. Well done.

It's now over to MP Ste-Marie.

[*Translation*]

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

My question is for you, Mr. Bélanger.

I assume that you are aware of the study commissioned by the Union des municipalités du Québec, which shows that 80% of municipalities have had to postpone one or more municipal infrastructure project in 2022, mainly because of rising costs.

What does this mean for future construction starts, and what can the federal government do to help speed up the completion of current and future municipal infrastructure projects?

Mr. Mathieu Bélanger: Obviously, inflation costs have a direct impact on municipalities' major infrastructure projects. As you mentioned, Mr. Ste-Marie, this will consequently have an impact on the ability to deliver units. In many cases, the infrastructure will not be available.

I would also point out that federal infrastructure programs do not currently factor in costs linked to inflation or additional costs. In some cases, for example in certain cities such as Windsor, Ontario, where a large-scale project to adapt to climate change is under way, it is difficult to go ahead precisely because of the additional costs. These costs were obviously not foreseen when the project was launched and the contracts were initially awarded. So there is certainly an impact.

• (1220)

The Chair: Thank you.

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Thank you, MP Ste-Marie.

MP Blaikie, you'll be the final questioner for this first panel.

Mr. Daniel Blaikie: Thank you, Mr. Chair.

Ms. Robertson, obviously for some folks who already have some negative amortization or other measures to provide relief, the tailored approach is important because, as you've said, not everybody's situation is the same. However, it does raise the spectre of people within one financial institution getting different treatment and folks between institutions getting different treatment.

I wonder if you think eliminating the stress test for folks who already have an insured mortgage would allow more competition for Canadians' financial services. It might incent banks, as a market mechanism, to provide better types of relief so that we don't see some banks with a captured market—which is folks who have an insured mortgage and can't leave—decide to exploit that while others don't and folks are trapped wherever they happen to get their mortgage from in the first place. Do you think that kind of competition would be useful?

Ms. Judith Robertson: The guideline is intended to address exactly the issue you raise, which is the risk of inconsistency across institutions. Within institutions is, I suppose, also a possibility. One of the main drivers for us to issue it was to make it clear to the industry what the expectations were.

The guideline also contains some clarity around the expectation that people in the situation of receiving relief should not receive a less advantageous rate than otherwise. That, again, deals with the issue of prohibited behaviour—which is about taking advantage—being more explicit in this particular circumstance.

Mr. Daniel Blaikie: Will increased competition help enforce that guideline? The guideline isn't, strictly speaking, enforceable. Would increased competition make it more likely that financial institutions observe the guideline?

Ms. Judith Robertson: We are very comfortable that institutions are observing the guideline and will observe the guideline. Of course, the guideline isn't law. It is our communication to industry about how we will apply the law, so in that sense, it is absolutely enforceable.

The Chair: Thank you, MP Blaikie.

I want to thank our witnesses for accommodating us in terms of the time, because we started a little late. Thank you for your testimony on this housing study.

At this time, members, we will be transitioning to our second panel.

• (1220) _____ (Pause) _____

• (1230)

The Chair: We're back.

It's great to have the Minister of Housing, Infrastructure and Communities, the Honourable Sean Fraser, with us today. Of course, he's no stranger to the finance committee, because he sat on this committee for a number of years.

Welcome back.

We also have PS Fragiskatos, who sat on this committee for many years.

Joining the minister is the Canada Mortgage and Housing Corporation interim chief financial officer and senior vice-president of policy, Nadine Leblanc, as well as the chief economist for CMHC, Bob Dugan. Welcome.

From the Office of Infrastructure Canada, we have deputy minister Kelly Gillis. Welcome.

Minister, you will now have the opportunity to make some opening remarks, and then we'll get into the members' questions.

Hon. Sean Fraser (Minister of Housing, Infrastructure and Communities): How much time do I have for opening remarks, Mr. Chair?

An hon. member: About 30 seconds.

Voices: Oh, oh!

Hon. Sean Fraser: I'll try to keep it tight, to just a few minutes.

[*Translation*]

Thank you for inviting me here today. I am pleased to discuss with you the challenges and opportunities associated with housing in Canada.

[*English*]

I'm really looking forward to the conversation that we have an opportunity to be part of today about how we're going to build more homes. We are living through a housing crisis in Canada, and if we're going to get out of it, we need to build more homes and build them by the millions.

When I look at the challenges that people are facing, this is impacting them in a very real and serious way. When I talk to students, I hear they have a challenging time finding places they can afford, and if they can find a place, it's often a lengthy commute from their class or it's an overcrowded situation. When I talk to young people who are thinking about opportunities to start their career, I hear they're worried about their opportunity to find a place to live in a city that may create that opportunity, or potentially to buy a place where they can raise a family at some point in time. I've talked to seniors who want to age in place, in the same community where their grandkids are being raised, which I don't think is too much to ask, but who find themselves without an option to downsize to a place they can actually afford. I think constantly about the impact on communities that miss out on the opportunity for people to contribute their dynamism to the economy and their talents, should they be able to find a place they can afford.

The place we are at today is the result of a confluence of different factors. Some of them have been decades in the making. Some of them have arrived more recently. I think about decisions taken by different governments of different political affiliations over the course of 30 years to not invest in affordable housing. More recently, I think about the pattern we saw when interest rates were extremely low during the pandemic. People bought up properties and are suddenly facing a higher interest rate environment. That has not just put pressure on the people who bought those homes, but has also crowded others out of the market.

Despite the enormity of the challenges we're facing, I do believe we can solve this challenge—we as a society. The federal government can't do it on its own, but we need to play a leadership role. The way I think we can do that is by putting measures in place that are going to help build more homes, that are going to support Canadians in need and that will make it easier to rent or buy a home.

When it comes to building more homes, we need to make the math work for builders. We have seen an increase in the cost of materials, labour, supplies and land and, of course, an increase in interest in recent years, which has caused a lot of projects that were marginal before to not move forward because the economic case has fallen apart.

Obviously, we have removed the GST from new apartments. We've put low-cost financing on the table through the apartment construction loan program. We've recapitalized the Canada mortgage bonds program to put more cheap money on the market.

However, it's not enough for us to just address the cost of building. We also have to address some of the systemic challenges around how communities allow homes to get built.

We need to squeeze more productivity when it comes to housing policy out of the infrastructure investments we are making. Obviously, we have been rolling out deals with communities—I believe 36 now—across the country, through the housing accelerator fund, to put federal money on the table, not necessarily to directly construct the homes, but to change the rules on how homes are built. That will have a positive impact in perpetuity around zoning practices and permitting processes in particular.

We also need to adopt an industrial strategy around homebuilding, with a focus on training opportunities for Canadian workers and immigration streams that bring talent to Canada where it doesn't exist today. We also need to incentivize innovation in homebuilding, particularly to get more homes built in factories across the country.

When we put together this plan that will help build more homes, we can't ignore the fact that there are vulnerable people who need particular kinds of homes to be built. This is where investments in affordable housing come into play. The affordable housing fund, which was recently recapitalized with an additional billion dollars in the fall economic statement, is designed to help with the capital cost of putting up homes for people who have intense needs.

In addition, we've rolled out programs to support communities that are dealing with homelessness challenges. Despite the fact that we have made serious investments, I'll be the first to acknowledge that we have a long way to go, given the extraordinary nature of the challenges that communities are dealing with today.

We have other programs that have supported people directly—for example, the Canada housing benefit—but we can't ignore the fact that there are people from different demographic communities are disproportionately impacted. I think in particular of indigenous people across Canada, who will benefit from upcoming federal investments in housing and who have for too long been ignored and have not benefited from the same level of investment that other Canadians have benefited from when it comes to housing policy.

Finally, we need to make sure that young Canadians in particular have a place they can rent or buy. We've created the first home savings account, which, I'm pleased to share, has now seen more than half a million young Canadians sign up for a tax-free savings account towards a down payment on their first home.

There's a suite of other measures we are looking at or have implemented to help reduce pressure on rental markets.

I'm pretty sure I am exhausting my five minutes, Mr. Chair. I'll cut my opening remarks off there and gladly take what questions committee members may have.

• (1235)

The Chair: Thanks, Minister. You're right on time.

We are going to jump into our questions. In our first round, each party has six minutes to ask questions.

We are starting with MP Hallan.

Mr. Jasraj Singh Hallan (Calgary Forest Lawn, CPC): Thank you, Chair.

Two years ago, Minister, you were the Minister of Immigration. At that time, your department gave your government a very dire warning that housing starts had not kept up with the pace of rapid population growth. In other words, it would make housing more expensive because it would fuel demand.

There was a housing crisis then. It's even worse now. Who made the decision to ignore that warning? Was it you, or were you told to ignore that warning?

Hon. Sean Fraser: No one ignored any warnings.

The part of the story that you may not be familiar with are the warnings about what would happen to our health care system, after I talked to folks in the sector. There was the warning from home builders that we would not be able to build homes if they didn't have access to talent, and the warning from the business community about the massive closures that would take place if we didn't work to—

Mr. Jasraj Singh Hallan: Minister, it was absolutely ignored by somebody, because after that warning, in the last eight years, rents have doubled in this country under your government. Canadians, students and even newcomers now—as you addressed in your opening statements—are living in cars. They're living under bridges. The cost of shelter has skyrocketed in this country.

You had a report in front of you when you were immigration minister in which you and your government were warned that if you continued down the path you were on, it would fuel a worse housing crisis, which we see today. That is a consequence of you ignoring that.

Once again, who ignored that warning? Was it you, or were you told to ignore it and continue down that path?

Hon. Sean Fraser: One thing that's really important for Canada's social and economic well-being is that we don't seek to attribute the very real challenges we're having with housing exclusively to the issue of immigration. I think it's important that we understand the rate of interest has changed, and the cost of materials, supplies and labour—

Mr. Jasraj Singh Hallan: You had control over both.

Hon. Sean Fraser: Mr. Chair, when I'm asked a question, do I have the same amount of time to offer a response?

The Chair: You have time to give a response.

What I am asking from members is no crosstalk while we're here, please. Allow the minister to answer a question.

Go ahead, MP Hallan.

Mr. Jasraj Singh Hallan: Respectfully, the minister continues to deflect away from ignoring this dire warning that his own department gave him.

Minister, you and your government had a report in front of you given to you by your own department. You guys literally threw it out and ignored the warning that caused the housing crisis we're in today and made it even worse.

Tell us, what was the immediate action you took when that department told you that your current plans were going to lead to a worse housing crisis?

Hon. Sean Fraser: This is the first time I've heard the Conservative Party openly suggest that the cause of the housing crisis is immigration.

Mr. Jasraj Singh Hallan: Excuse me. That's false. That's absolutely false.

Mr. Yvan Baker (Etobicoke Centre, Lib.): On a point of order, Chair, Mr. Hallan continues to interrupt. He's done this with prior ministers. He's doing it with this minister.

I would just ask you, Chair—and I'd ask Mr. Hallan—to please allow the minister to answer the question.

Mr. Jasraj Singh Hallan: It's an absolute false—

The Chair: MP Hallan—

Mr. Jasraj Singh Hallan: It's my time, Chair.

The Chair: MP Hallan, please stop with the crosstalk. Allow for answers to be given.

Mr. Jasraj Singh Hallan: It was a false accusation made against me.

Ms. Julie Dzerowicz (Davenport, Lib.): On a point of order, Mr. Chair, that is the third question that I have not heard the minister respond to. Time should be given to him right now to respond to those three questions, instead of allowing the melodramatic questioning from the other side—

Mr. Jasraj Singh Hallan: A false accusation was made.

● (1240)

Ms. Julie Dzerowicz: —without allowing any time to respond.

Mr. Jasraj Singh Hallan: Chair, I will continue with my time.

The Chair: MP Hallan, the minister should be allowed to answer the question. You've asked a number of questions. You have not allowed the minister to answer them.

Mr. Jasraj Singh Hallan: Chair, I'll continue with my questions.

The Chair: MP Hallan, the minister will have an opportunity to answer your questions.

The minister has the floor.

Mr. Jasraj Singh Hallan: I will continue with my time. I will not let the minister continue to make false accusations.

Hon. Sean Fraser: Mr. Chair, do I have the floor?

The Chair: You have the floor, Minister.

Mr. Jasraj Singh Hallan: It's my time. That's not how this works, Chair.

It's shameful for—

Hon. Sean Fraser: Do I have the floor or do I not?

The Chair: You do have the floor, Minister. You can answer the questions.

Hon. Sean Fraser: Thank you, Chair. I appreciate that very much.

I'm happy to answer the honourable member's question.

Mr. Jasraj Singh Hallan: I will take my time back.

Minister, it's shameful that you would tell an immigrant to this country like me—

The Chair: MP Hallan—

Ms. Julie Dzerowicz: I have a point of order.

Mr. Jasraj Singh Hallan: Chair, now you're interrupting me. That's not how this works.

The Chair: MP Hallan, it's the crosstalk.

Mr. Jasraj Singh Hallan: It's my time now. I will continue with my time.

It is shameful that—

Hon. Sean Fraser: Mr. Chair, I'm curious if I have the floor or if I do not. I believe you are in charge of the procedure of the meeting.

I would be happy to provide an answer to the question.

The Chair: Minister, we want you to answer the questions that MP Hallan asked.

MP Hallan, you asked some questions. Allow for an answer to the questions.

Mr. Jasraj Singh Hallan: I will move on with my question because the minister made a very false accusation—

Ms. Julie Dzerowicz: I have a point of order. I am sorry, but Mr. Hallan is not allowing the minister to answer questions.

Mr. Jasraj Singh Hallan: That is not a point of order.

Ms. Julie Dzerowicz: This absolutely is a point of order.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): That's not a valid point of order. Correct it.

The Chair: Members, we want respect and decorum. We have the minister here for an hour. The time is ticking away.

What we want is for members to ask their questions and for the minister—and if need be, the officials—to answer those questions. Allow for answers to be given without the crosstalk.

Mr. Jasraj Singh Hallan: It is my time now, so I will continue.

It's shameful that the minister would tell an immigrant like me that we would blame immigration. It's actually the Bank of Canada—

Ms. Julie Dzerowicz: I have a point of order, Mr. Chair. I'm very sorry, but I'm going to keep interrupting as long as the minister doesn't have a chance to respond.

Mr. Philip Lawrence: That is not a valid point of order. That is crosstalk.

Ms. Julie Dzerowicz: Absolutely this is a point of order. I'm not allowing a monologue.

Mr. Philip Lawrence: Name the rule. There's no rule.

Mr. Chair, you better criticize her, just like you did me.

The Chair: MP Dzerowicz, what has been noted here is that the member can ask his question.

The minister will have ample opportunity to answer that question, MP Hallan, without crosstalk after.

Mr. Jasraj Singh Hallan: I wasn't done my question. I was in the middle of it.

The bank is actually—

Ms. Julie Dzerowicz: On a point of order, he's asked three questions and there have been no responses.

Mr. Jasraj Singh Hallan: That's not a question. I haven't asked my question.

Let me continue, Chair.

The Bank of Canada is actually—

Ms. Julie Dzerowicz: I have a point of order. I'm very sorry, but there's been no response. I'm waiting for a response from the minister, Mr. Chair.

Mr. Philip Lawrence: That is not a valid point of order. That is crosstalk.

Can you please respect the interpreters?

The Chair: MP Lawrence, you don't have the floor. I'm addressing a point of order here. There's a point of order going on.

Mr. Philip Lawrence: It's not a valid one.

Ms. Julie Dzerowicz: My point of order, Mr. Chair—

The Chair: Members, as I said, time is valuable and time is ticking away. We want a question and then we want to allow time for an answer.

Mr. Jasraj Singh Hallan: I haven't gotten to my question yet. I will give the minister time.

Once again, it's shameful that the minister would blame and falsely accuse an immigrant like me, saying that I would blame immigration. It's actually the Bank of Canada that has said this. Their current policy report said that population growth is directly fuelling rent inflation. It's driving up rent and housing prices. This is a direct result of you and your government ignoring the report by your own department.

Canadians are spending over 60% of their income on shelter costs now. RBC even says that Canada is a nation of renters, because people can't afford homes.

Tell us what your immediate reaction was when you got that report. Did you just throw it away, or are you covering up for somebody?

Hon. Sean Fraser: Mr. Chair, how much time do I have to answer this question?

The Chair: You have time to answer the question, Minister.

Hon. Sean Fraser: Thank you.

First of all, for the sake of clarity, Mr. Hallan was my critic while I was the immigration minister. I know him to be someone who supports immigration.

When I was referring, during my preamble, to blaming immigration as a cause of the housing crisis, it was a reflection of the words that he used in the question, not his personal view of what immigration—

Mr. Jasraj Singh Hallan: It's sad that your government has turned people's sentiment on immigration.

Hon. Sean Fraser: Mr. Chair, do I have the floor?

I'm happy to sit here and have people talk back and forth—

The Chair: Please let the minister answer the question—

Hon. Sean Fraser: —but I'd rather talk about solutions to the housing crisis.

With respect to the issue of immigration, when it comes to our permanent residency programs, I remain confident that we can continue to have high levels of immigration, but we need to build the houses to accommodate a growing population. We have challenges with our temporary programs in immigration, and the number of people who come is not set by the government. They are driven by the demand that employers have for the temporary foreign worker program—

Mr. Jasraj Singh Hallan: That's not true.

Hon. Sean Fraser: —or that institutions have when it comes to the international student program. We are implementing reforms now, which started, frankly, when I was immigration minister, including—

Mr. Jasraj Singh Hallan: Minister, I only have a limited amount of time—

Hon. Sean Fraser: Mr. Chair, the member continues to talk over the answer—

Mr. Jasraj Singh Hallan: I'll move on to my next question—

Hon. Sean Fraser: May I continue?

The Chair: Mr. Hallan, the minister is trying to answer your question.

• (1245)

Mr. Jasraj Singh Hallan: He did not touch on any of it—

Hon. Sean Fraser: It's because I'm being continually interrupted—

Mr. Jasraj Singh Hallan: I asked about the report. He needs to address that.

Hon. Sean Fraser: I'm going to continue with my answer, Mr. Chair. If you think I should stop, I will stop.

The Chair: If you just finish up the answer, then we'll get to MP Hallan's next question.

Hon. Sean Fraser: When it comes to our temporary programs, there are challenges—

Ms. Joanne Thompson: On a point of order, we need to be very considerate of the interpreters' health. Please stop the crosstalk.

The Chair: Thank you, MP Thompson.

Hon. Sean Fraser: I can wrap up in 10 seconds.

We have challenges with our temporary programs. They are driven by the folks who have access to these programs increasing the demand they put on the system. To respond to those changes in behaviour, we are implementing reforms, including recent reforms that Minister Miller has implemented—

Mr. Jasraj Singh Hallan: I'm sorry, Minister, but it's been 10 seconds.

Hon. Sean Fraser: —to ensure that we restore—

Mr. Jasraj Singh Hallan: With regard to the housing starts you talked about, housing has actually gone down 7%—

Hon. Sean Fraser: —integrity to the program. Also, it reduces pressure on communities that have—

[*Translation*]

Mr. Gabriel Ste-Marie: On a point of order, Mr. Chair.

Mr. Chair, it has often been said that we must respect the interpreters. For the last 10 minutes, there has been crosstalk, making it impossible for the interpreters to do their job. We know that the interpreters do an extraordinary job. Francophones must be able to hear what is going on at the committee.

I would ask my colleagues to show respect for the interpreters and to stop overlapping discussions.

[*English*]

The Chair: MP Ste-Marie and MP Thompson, you're one hundred per cent correct.

I apologize. We all should apologize to the interpreters. The crosstalk is affecting them. It affects their health and safety. We have to be respectful of decorum. Don't scream into your mic. Allow people to answer questions; allow people to ask questions. Let's do this in a respectful way. That is what is being asked here.

MP Hallan, please go ahead.

Mr. Jasraj Singh Hallan: Minister, CIBC gave a grave warning that Canada needs an additional five million new home units by 2030, on top of the ones that are already projected. That's about 1.5 million additional homes than the CMHC even projected. Your own housing agency, the CMHC, said just recently in this committee that they had no faith in your government that these homes will be built. CIBC says the housing crisis is largely due to a failure in planning.

How are these homes going to get built?

Hon. Sean Fraser: Thank you for the question.

I walked people through the bones of the approach to housing during my opening remarks. We're going to see homes get built when we reduce the cost of homebuilding by putting incentives in place. We're going to see more homes get built when we change the way communities build homes by incentivizing them to reduce red tape and speed up permitting processes—

Mr. Jasraj Singh Hallan: Minister, it's been eight years.

Hon. Sean Fraser: Mr. Chair, again, I want to be respectful of my colleagues—

The Chair: MP Hallan, your time is already up. It's well beyond, actually.

Minister, finish up your remarks and then we will move on to the next MP questioner.

Hon. Sean Fraser: To make a long story short, we can reduce the cost of building by putting incentives on the table. We can change the way cities build homes by putting federal money on the table to change zoning and permitting processes. We can build an industrial strategy in collaboration with cities, the private sector, non-profits and provincial governments.

When I looked at the comparison between the plan we are putting forward and the one Mr. Hallan's party is putting forward, it's clear and very obvious that the measures they are putting forward would actually lead to fewer number of homes being built than we are already on track to build. We simply can't let that happen.

The Chair: Thank you, Minister and MP Hallan.

Now we're moving to MP Baker, please.

Mr. Yvan Baker: Thank you very much, Mr. Chair, and thank you, Minister, for being here at the finance committee.

Minister, I'm going to ask a few questions that my constituents ask me all the time.

One question I get a lot is about what has caused housing prices to climb so significantly, especially over recent years. As you pointed out in your preamble, folks are struggling. Folks are struggling to buy a home—those who want to buy one. Folks are struggling to rent a home. First-time buyers in particular are struggling. Of course, the higher interest rates we're experiencing are a tremendous challenge to folks who are renewing mortgages. There are a whole series of issues around the cost of housing that people are struggling with.

Could you answer this question for me? What has caused housing prices to go so high?

Hon. Sean Fraser: I wish it were as simple as giving a quick answer, but there's not one factor. We can trace back some of the challenges to decisions made in maybe the late eighties and certainly the early nineties to cut government-funded affordable housing programs. The need for low-income families is different, although happening in parallel, to the challenges we've seen more recently in the market.

You have 30 years of a failure to invest, and I should say that both Liberal and Conservative governments are guilty of this mistake, which we started to correct in 2017 with the national housing strategy. We need to continue to use that strategy to invest in affordable housing for low-income families. We also need to increase the ambition of some of those programs to build more affordable homes, to build more co-operative homes and to build more housing supply outside of the market.

Within the market, there are a number of factors present right now. Some of them are driven by changes to the rate of interest, which have made it more difficult for people to afford the home they already have or to get into the market in the first place. Others are driven by the fact that within the market, when interest rates were very low, in some communities across Canada—including mine—a buying frenzy took place. In my community, it was disproportionately by people coming from Ontario during the pandemic, who bought up a lot of the properties on the market. This has reduced the vacancy rate in some communities, which puts pressure on, frankly, both the rental market and the home ownership market. Of course, when you layer on top of that this increase in the rate of interest, it exacerbates the nature of the challenge for people who missed the opportunity to get into the market at the time and who are now facing it.

Certain communities have seen dramatic increases in population from different sources. Again, in my community it was mostly through people coming from Ontario. There are communities with a significant influx of temporary residents, like international students, for example, in college and university towns. This has had local impacts.

There's not one factor. When you see the confluence of these various factors happening simultaneously—some that were built up over decades and some that are more recent developments—you see that it's created a perfect storm that has increased the cost of renting or buying a home. That is having a very real impact on people and we need to address it.

• (1250)

Mr. Yvan Baker: I appreciate that.

We have a representative here from CMHC, who's been to the finance committee before. My question is for the minister, but I did want to raise this.

I remember asking you a very similar question a number of months ago. During your response, one thing that struck me was that you talked about how the supply of homes has not kept up with demand. In other words, the number of new homes we build has not kept up with the number of new people seeking homes in Canada.

Minister, do you agree that this has been a major factor and that it started a number of years ago?

Hon. Sean Fraser: Yes. It's not the only factor, but it is a part of it. If we're going to get out of the housing crisis, we need to build at a much faster pace. Forget for the moment that there will continue to be people from around the world who want to come to Canada. Even to meet the need we have now, we'll need to build at a much faster pace.

Absolutely, we need look at the population growth we're experiencing and build more homes to accommodate the growth that is powering our communities and powering our economy forward. This was actually one of the issues we addressed during the strategic immigration review, which produced a report a few months ago. It was looking at the issue of needing to tie population growth to housing output.

We need to do everything we can to increase the pace of building if we're going to meet the demand that exists today, let alone the demand that will exist 10 years from now as Canada's population presumably continues to experience growth.

Mr. Yvan Baker: Another question my constituents ask me, Minister, is this: When are housing prices going to stabilize and when are they going to come down? When I speak with my constituents, they ask me this all the time. Frankly, what I say to them is that I will talk with Minister Fraser about it and ask him what he thinks.

For the sake of my constituents, could you share your perspective on when housing prices are going to stabilize and when they are going to come down?

Hon. Sean Fraser: Look, if I had a crystal ball, I would perhaps be better positioned to answer the question.

The answer is not identical for different communities. The housing markets, though interconnected, are local in nature. The impact in the housing market in rural Nova Scotia where I live may be different than it is in the GTA where you live.

When we build enough homes to meet demand and have a better vacancy rate than we have today, we will get to a point where if you lose your apartment for some reason, you will be able to find another one at the same price you were renting at before. When we build out the homes to meet demand in the buyer's market, you will, I expect, see a clear reflection of the cost of building a home in the price, rather than sellers maximizing what they can get because there's so much competition in the market. All of this is in a context impacted by factors outside the federal government's control as well, such as interest rate decisions the Bank of Canada makes independently.

My sense is we can continue to see progress over the next number of years. If you look at the rate of inflation impacting people, it has come down over the past couple of years. I expect, as we go forward—not just on a month-to-month basis but also on a year-to-year basis—things will progressively get better as we continue to see more homes being built over time.

I don't have a magic date on the calendar that I can circle when suddenly all things will be fixed, but my sense is that we can rapidly make progress and have things get progressively better, routinely, in the years ahead.

● (1255)

The Chair: Thank you, MP Baker.

Now it's over to MP Ste-Marie.

[*Translation*]

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

Good morning, Minister.

Welcome to all the witnesses.

Mr. Fraser, I have some questions for you, but first I'd like to turn to Mr. Dugan from CMHC.

Mr. Dugan, you appeared before the committee on September 28, along with other members of CMHC. At that time, you undertook to provide the committee with written answers to our questions. We are still waiting for these answers, despite the fact that the committee clerk has followed up with you on numerous occasions.

For example, we asked you to provide us with a breakdown of CMHC programs by province, as well as information on the cost per dwelling for each of these projects. We're still waiting for an answer.

I also asked you about a social housing project in Joliette. The Office municipal d'habitation de Joliette wants to build a building in which half the units would be reserved for people living with disabilities. What's holding up the project is that the land, which is enclosed and can be used for nothing else, belongs to the Société d'habitation du Québec, which has a social housing agreement with CMHC. The Société d'habitation du Québec is prepared to sell this land. For its part, CMHC does not want to sell it at the municipal assessment price, but rather at the current price. So we're talking about nearly \$1 million rather than \$300,000.

I asked you what could be done to unblock this situation. Was it possible to terminate the agreement on social housing? Could the

minister allow CMHC to sell the land, as proposed by the Société d'habitation du Québec? We are still waiting for these answers.

I wrote to you and CMHC about this more than five months ago. I wrote to the minister five months ago, but it's still deadlocked. The Office municipal d'habitation de Joliette can't start the work because of CMHC, which still hasn't replied.

Finally, we asked you to update your study on the housing shortage, which puts the figure at 3.5 million homes. This figure needs to be updated with the revised data from Statistics Canada. On this subject, the clerk's numerous attempts have finally led us to understand that we would get this answer in the first quarter of this year. So I'd like to know if you have a date for us.

With regard to this study, I'd like to remind you of something else. This will allow me to put a question to the minister. On February 6, Bloomberg reported that CIBC economist Benjamin Tal was talking about a shortfall of at least 5 million homes, not 3.5 million. This figure takes into account population growth, including non-permanent and temporary residents.

Mr. Dugan, are you ever going to give us an answer? You represent CMHC, and you are the only witness to have committed to providing written answers to the Standing Committee on Finance without having provided them.

Ms. Nadine Leblanc (Interim Chief Financial Officer and Senior Vice-President, Policy, Canada Mortgage and Housing Corporation): Mr. Chair, we take the committee's requests very seriously, and we are committed to responding to them in the very near future. In fact, I have followed up, and the responses are under review. We expect them to be given to committee members very soon.

I haven't taken note of all the requests, but I'd like to comment more specifically on the issue of the Joliette land you mentioned. It's part of the agreements we have with the province of Québec. When it comes to the sale of land covered by agreements, we have to ensure that we respect the established parameters, review the powers we have and follow the procedures in place to carry out this analysis. We are currently looking into this.

Mr. Gabriel Ste-Marie: Thank you for your reply.

CMHC was contacted more than five months ago, and now it's the one blocking the construction of social housing. It's very worrying.

Since I don't have much time left, I'm going to put my questions to Mr. Fraser.

As the CIBC economist said, we're talking about a shortfall of 5 million housing units. According to data published by CMHC at the end of January, supply is expected to fall in 2024, because the number of new housing starts has fallen over the past year due to inflation; the cancellation of these projects is expected to start being felt this year. Added to this is population growth, which will exacerbate the housing shortage. In short, there will be a lot of homeless people this year.

What do you intend to do about this? Is it true that the government is going to cut funding for organizations fighting homelessness by 3%? That's what we're hearing at the moment.

• (1300)

Hon. Sean Fraser: Thank you for your question, Mr. Ste-Marie.

As part of Canada's strategy to deal with housing challenges, it's important to consider the shortage.

[*English*]

To address the shortage, whether it's three and a half million or five million, we still need to implement all of the measures we're dealing with, and we still need to support communities where they are taking place.

I'm not going to project on what decisions Minister Freeland may make in the budget. Suffice it to say, we continue to support community organizations that are helping folks who do not have a place to live. Just in advance of the holidays, we topped up the Reaching Home program, for example, with an additional \$100 million so that it could address acute needs in advance of the cold weather setting in.

We're going to continue to work with communities at the municipal level and with service-provider organizations to identify how we can best leverage federal supports. However, I'm not in a position to project on what budget decisions may be taken in advance of the upcoming federal budget.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

Mr. Chair, if I have any time left, I'll give it to my colleague Mr. Trudel.

[*English*]

The Chair: We're actually just at time. Both the other parties did go well over time, so I was going to allow you one really quick question, but we'll build that into our next round.

We have MP Blaikie up now.

Mr. Daniel Blaikie: Thank you very much, Mr. Chair.

Welcome back to the committee, Mr. Minister.

Around your neck of the woods, I think over 7,500 people are waiting for affordable housing, and the wait-list is about two years. Despite an election commitment to put an end to the practice of renovations—where landlords evict tenants and improve the property, sometimes just superficially, and then jack up the rents—we know that they're still going on in areas like Dartmouth and Halifax.

One of the ways to push back against that would be to empower community organizations with experience in delivering housing to acquire buildings instead of having them sold to the types of landlords who engage in renovation. I didn't hear anything about a non-profit acquisition fund in your opening comments. I'd like to know if that's something your government is seriously considering in this budget cycle.

Hon. Sean Fraser: Sincerely, this is not the first time we've discussed this, and I honestly believe you care about this issue for all the right reasons, as do I. A potential acquisition fund is one of the strategies we could use to grow non-market supply to help protect, in perpetuity, housing for low-income families. With the housing

accelerator fund agreement that we signed with the City of Toronto, we did see that they're using a portion of their funds for the MURA program, which more or less is designed to achieve the ends you've talked about. That was our first recent foray into this space.

We're not at a place to roll out what policies may look like, but we're considering the different aspects of an affordable housing strategy that will help grow non-market supply. We will have to take decisions in the months ahead as to what the specific measures will include, but I'm not in a position today to announce that we will be moving forward with such a fund. However, it remains one of the items that we're considering. We just want to make sure that we're getting the greatest return on investment for every public dollar we spend to help address the needs of low-income families that have inadequate housing today.

Mr. Daniel Blaikie: I'm sure you've heard that Canada is losing 15 units of affordable housing for every one that we're building at the moment. How would you characterize the sense of urgency with which governments should be acting in order to shore up Canada's existing affordable housing supply?

Hon. Sean Fraser: Look, I think you're using the right language. For people who don't have a place to go and security of tenure at the place they go to sleep every night, it is an emergency. We have no opportunity to waste time. We have to work with the sector that can implement the programs. We have to come up with the policies that will roll those programs out quickly. We have to work with other levels of government to make sure we're leveraging every dollar we spend to maximize productivity.

To the extent that you're asking me whether this is urgent and demands immediate action, yes, of course, but let's not pretend that no measures have been put in place to date. I think you'll have noticed a significant uptick in the rate of policy change over the past few months, but this isn't something that just started a few months ago. I agree with what is presumably your perspective: We need to do more and to do it faster. That's what I spend most of my days trying to accomplish.

Mr. Daniel Blaikie: I think a lot of folks took it as a bad sign that in the fall economic statement, money for the recapitalization of the co-investment fund and the new version of the rental construction financing initiative, or the ACLP, which you referred to in your remarks, isn't coming for another two years. Given that we need to not only continue what spending has happened under the national housing strategy but also ramp that up, I'm wondering how you can square back-loading money in those budgetary tables with the sense of urgency you've described at the table here today.

• (1305)

Hon. Sean Fraser: This is an important question.

We should point out that in addition to the measures you mentioned in the fall economic statement, that document also included an additional \$300 million in grant money for co-operative housing, which will be rolled out this year.

The programs you pointed to, though, are already operating. Both programs have some money in them right now. Though we anticipate that the money included in the fall economic statement will be spent a couple of years from now, that's not to say there will be nothing spent between now and then. We'll continue to work to figure out how we can leverage the money we have in these programs to build when we have good projects that are ready to go.

Do we need to continue to try to increase the output? Absolutely we do, but I don't want to signal that a two-year delay in the flowing of those specific top-ups means that the funds they were topping up don't have capitalization today. It's actually going to projects, because we are signing agreements with money that's available today. We'll continue to do that.

Mr. Daniel Blaikie: Certainly from our perspective in the NDP, we would say that making the money available sooner increases the possibility of having more projects proceed quicker. If the projects aren't ready to go and you have to sit on the money, then at least there's a good reason, but deciding in advance that the money won't flow for two years means that even if there are eligible projects, they won't be able to move forward. We're certainly hearing from community partners that those funds are oversubscribed, and there's already more demand for what's in the pot. We would certainly like to see that moved up.

I want to confirm, while I have you at the table, that for the ACLP, the government's definition of "affordable", when it's building affordable units under that program, will be 80% of market value, as opposed to some of the other measures used early on in the life of the rental construction financing initiative.

Hon. Sean Fraser: Yes, and I think it's important to understand the purpose behind different programs. The affordable housing fund is designed for housing for low-income families to be kept at a price that low-income families can afford. As to the apartment construction loan program, to your point around the use of the word affordable, it means different things to different people. The apartment construction loan program, in my view, is meant to address the challenge of a shortage of supply in the market.

Mr. Daniel Blaikie: There are affordable housing provisions within that program, even though it's not solely for the construction of affordable units. My question is, for those affordable units within the program, whatever percentage that will be, will the government's definition be 80% of market value?

Hon. Sean Fraser: As it stands today, that is it, but just to be clear, that program is not designed to boost the supply exclusively for low-income families. It's to boost supply generally and to maintain the market at a price at or below where apartments are being rented today. It's part of the supply solution that over time will bring down prices, as we see an evening out of supply and demand, but it needs to be supplemented with such programs as the affordable housing fund so that we're targeting what's often referred to as deeply affordable housing for low-income families with serious need.

Mr. Daniel Blaikie: That's often what we refer to as social housing.

Hon. Sean Fraser: Yes.

Mr. Daniel Blaikie: Thank you.

The Chair: Thank you, MP Blaikie. That's the time for the first round.

We got off to a bumpy start at the beginning, but we want to thank the minister, who accommodated us because we started our meeting late today.

We have about 22 minutes. We don't have time for a full round. We have divided the time equally among parties as in the past. I'm looking to members. Are members good with that?

Mr. Philip Lawrence: No.

The Chair: That's what we've always done at this committee.

Go ahead, MP Hallan.

Mr. Jasraj Singh Hallan: Chair, I think we should revert to the rule about the number of seats in the House and split time like that. That would mean five minutes for us, five minutes for the Liberals, 2.5 minutes for the other two parties and then 2.5 minutes for the Conservatives and Liberals.

The Chair: Thank you for that, MP Hallan. We would do that if we had the time. We would have had it if we hadn't had some interruptions at the beginning of this meeting.

Right now, I'm going to suspend for a while to confer with the clerk about this.

- (1305) _____ (Pause) _____
- (1310)

The Chair: Members, we're back.

I've conferred with the clerk. We are going to proceed the same way we have done in the past, since we've started this meeting. We will be dividing the time equally among the parties, so each party will have approximately five minutes for questions.

We will start with the Conservatives and MP Lawrence.

Mr. Philip Lawrence: That's perfect.

Thank you, Minister Fraser, for appearing. We've known each other since we both attended the Conservative convention in Halifax, so it's been a while.

I'm hoping we can leverage some of this, because we have a very serious issue in front of us. As we know, mortgages have doubled, rents have doubled and we have people living in tents from coast to coast to coast, including in your riding, Minister.

I want to start with the housing accelerator fund, which started over three years ago. About \$4 billion has been invested. How many houses have been built?

Hon. Sean Fraser: The housing accelerator fund only started reaching agreements in September of last year. Though it was campaigned on in 2021 and budgeted in 2022, the fund led to agreements beginning in September of last year.

It's also important to understand that the housing accelerator fund doesn't go toward the cost of building houses; it goes towards incentivizing changes at municipal levels. That will speed up permitting processes and exclusionary zoning. It will increase density around post-secondary institutions, infrastructure, transit and so on.

It will lead to more homes, but the nuance in your question is important. It doesn't actually lead to the construction of specific homes.

Mr. Philip Lawrence: I understand, and thank you, Minister.

At the end of the day, what we need and what Canadians need is urgency. In fact, Mr. Dugan, who came to this committee, said he warned your government in 2018 that there was a housing supply issue, so we're in a crisis now.

How many houses has the housing accelerator fund built with \$4 billion three years later?

Hon. Sean Fraser: Again, the housing accelerator fund—and I don't mean to be difficult here—does a different thing than your question suggests. It is expected, with the deals we've signed so far, that it will lead to the addition of more than half a million homes over the next decade. However, that's not a result of money going towards construction.

Mr. Philip Lawrence: I understand, and I don't want to be disrespectful with crosstalk.

As of today, you can't point to one key in the door, one new bedroom or one new house built as a direct result of the housing accelerator fund. Is that right?

Hon. Sean Fraser: I see what you're trying to get at. It's important to understand that when we're signing agreements to change rules, as in September, it takes more than a few months to build out the homes, many of which will be multiplexes or apartment buildings.

This is, in my view, the fund that has most outperformed very high expectations out of anything that I've seen.

Mr. Philip Lawrence: With respect, though, Minister, in terms of performance, we have zero keys in doors and your government was warned. Mr. Dugan told us in testimony that this was in September 2018.

We have zero keys in doors because of the housing accelerator fund. Isn't that true?

Hon. Sean Fraser: I completely disagree with your characterization. For what it's worth, hundreds of thousands of homes have been built or renovated as a result of programs that have been in place since then.

With respect to the housing accelerator fund, it is proving its merit. There are deals with 36 cities that have already changed the ways they will allow homes to be built. We've witnessed in the past six months the largest upzoning in Canadian history in cities right across the country. Next week, we're going to start working with

small towns and rural communities. This has been a very big success.

Mr. Philip Lawrence: Thank you, Minister, but that's cold comfort at best to Canadians who are continuing to live in tents.

Hon. Sean Fraser: We want to help them too.

Mr. Philip Lawrence: Two million are going to food banks and a whole generation has given up on housing because of your government.

Hon. Sean Fraser: I disagree with that assessment.

Mr. Philip Lawrence: Will any bonuses be paid out? Have you signed off on any bonuses for 2023 for any government officials in charge of housing? Given the status that an entire generation has given up on home ownership, renovations are up and rental costs and mortgages have doubled, I would say strongly that most Canadians don't believe they deserve a bonus.

● (1315)

Hon. Sean Fraser: I don't personally assign bonuses to public servants. Frankly, my time is far better spent on advancing measures that will get more homes built and help people in need. The compensation in public service is done independently of my ministerial office.

Mr. Philip Lawrence: Officials will receive bonuses for the housing hell that your government has started. That's fine.

Hon. Sean Fraser: That's not the answer I gave.

Mr. Philip Lawrence: My apologies for the crosstalk, Mr. Chair.

CMHC has said that the housing gap between now and 2030—the number that has been used—is three and a half million. CIBC came out two days ago and said the gap is five million homes. Would you care to comment on that, Minister?

Hon. Sean Fraser: Yes. We need to build a lot of homes. I think my opening statement, though—I have it written down—was that we need to build homes and build them by the millions. The scale of the challenge is not lost on me. Despite the enormity of that challenge, I believe we can solve the housing crisis.

Mr. Philip Lawrence: I have one last question, Minister—

The Chair: Time is up, MP Lawrence.

We'll now go to MP Dzerowicz, please, for five minutes.

Ms. Julie Dzerowicz: Thanks so much, Mr. Chair.

I want to say thank you to you, Minister Fraser, and to housing officials for being here today.

Housing affordability, affordable housing, co-op housing, deeply affordable housing and rental housing are top of mind for the residents in my riding of Davenport.

Last Friday, I was with Deputy Prime Minister Freeland and the mayor of Toronto. They were making a huge announcement about asylum seekers. The Deputy Prime Minister mentioned that since 2015, the federal government has provided a historic amount of funding to the city of Toronto. She mentioned \$5.79 billion. She also indicated that at the federal level, we have committed \$6 billion for housing to support the people of Toronto. I was really pleased that the mayor agreed by saying that the federal government had delivered for the city of Toronto.

Minister Fraser, can you talk in a bit more detail about what funding we've provided to the city of Toronto on housing? I know that Davenport residents want to know.

Hon. Sean Fraser: Certainly. I don't have an exhaustive summary in front of me today, but perhaps off-line we can share some of the details.

Just to draw into focus the scale of what we're doing in Toronto, keep in mind that in addition to housing, enormous infrastructure investments have been made to support the water and waste-water capacity that allows us to build more homes and the transit systems that will allow people to access the opportunities that exist within the city. That's in addition to the direct support for housing.

The marquee fact that I would point you to with respect to the investments we're making in Toronto is the investment through the housing accelerator fund, which will result in the acquisition of non-profit homes and in a fundamental change in the zoning practices, with a huge focus on transit-oriented development. That is going to focus on digitizing and speeding up the permitting process to get more homes built.

This single investment is worth over \$470 million just in the city of Toronto. Within the GTA, of course, there are other communities that benefit. I think about those across southern Ontario: Kitchener, Guelph, Waterloo and Richmond Hill. A number of other communities have benefited.

In addition to the housing accelerator fund, which is permanently changing the way Toronto will have homes built, we've had a series of direct investments and affordable housing projects through the affordable housing fund. We've had an extraordinary number of investments made for purpose-built rentals through the apartment construction loan program, which provides low-cost financing.

Depending on how you count the dollars and whether you ascribe financing the same way as you do grant contributions, we're in the many hundreds of millions or billion of dollars, and certainly billions if you include the housing enabling infrastructure.

Ms. Julie Dzerowicz: I know that Davenport residents will be very happy to hear that.

The second question I have for you is on young people. Whether they're in their mid-twenties, late twenties or early thirties, they approach me and say, "MP Dzerowicz, will I ever be able to afford continuing to live in the city of Toronto where I grew up? Will I ever be able to afford a condo or home?" How would you respond to them, Minister?

Hon. Sean Fraser: Hardly anything is more important.

Forgive me for exploring some of my own reasons for getting involved in politics, but my community dealt with a very different challenge eight years ago than the one today. Growing up, I had five sisters. If you'd asked any of us 10 or 12 years ago what we wanted to do, none of us would have known. However, we all wanted to live in the community we came from. That wasn't an option for us at the time, not because of the housing market but because of the job market.

Things have changed now in small communities like mine, and big cities have been wrestling with this for a long time. People are being priced out of the communities they love and where their families live. It's where they want professional opportunities to grow, thrive and contribute. We have to succeed, because the cost of failing to build enough homes so people can live in the community they want is not just consequential for the person who can't find a home to live in, though it's worth doing for that in and of itself. There's also an economic impact for the country as a whole when young people can't move to the cities where opportunities are or remain in the cities where they grew up and where they have other opportunities. That has an impact on all of us.

Let the people you're dealing with know that despite the significant challenge we face, I am filled with a sense of hope that over the next number of years, things are going to get better, because I'm seeing the work being done to make them get better. I spend all of my time dealing with the people doing good things to build the homes we need so young people can afford a place to live—whether that's a place to rent today or an opportunity to save up to buy a place a few years from now.

We have to do everything we can to reduce the cost of building in order to get more supply on the market. We also have to look at measures to allow people to save up so they don't have to give up on the idea that they may own a place to live in one day.

Despite the challenge, I remain hopeful and optimistic. However, we have a lot of work to do to get to a place I want to get to.

● (1320)

Ms. Julie Dzerowicz: Thank you so much.

The Chair: Thank you, MP Dzerowicz.

MP Trudel, please go ahead. Welcome to our committee.

[*Translation*]

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

Minister, I would have liked to give you a break, but my questions are addressed to you.

As has been mentioned, the current situation is quite dramatic. According to the Canada Mortgage and Housing Corporation, CMHC, 3.5 million homes need to be built. According to CIBC, the figure is closer to 5 million. It's a colossal undertaking. Last year, 40,000 homes were built in Quebec. According to CMHC, it should have been 200,000. In Quebec, 70,000 homes were built during the year in which we saw the highest number of new homes. To reach the CMHC target of 3.5 million homes, Quebec would have to build three times as many as it has ever built. Personally, I don't see how we can envisage such a thing.

Over the past year, I've toured Quebec and spoken to many organizations. That said, let's concentrate on the not-for-profit sector. Housing and condos are built. If you earn \$200,000 a year, you don't have a problem, you don't experience a housing crisis. In Longueuil, we've built a lot of housing. Right now, families, single mothers and seniors are being evicted from their homes. We need to help the non-profit sector and build social housing.

At the moment, organizations are telling us that zoning and municipalities are creating all kinds of obstacles to construction. What's more, they tell us that Quebec and federal housing programs don't meet or overlap. In fact, the criteria are different. Non-profit organizations can't count on the help of 500,000 public servants to fill out their applications; often there are only two or three people in a small office. They try to meet the requirements of all the programs. The federal government has money, but the municipalities do not. Quebec, for example, has little money.

Before the national housing strategy was launched, we had to negotiate with Quebec for three years before a single penny was spent. However, money was spent in the rest of Canada. The measure to launch the housing accelerator fund was passed as part of the 2022 budget. We had to negotiate with Quebec for a year and a half before agreeing on the famous amount of \$1.8 billion, of which Quebec is investing \$900 million and the federal government \$900 million. The current delays are not in the municipalities, as the Conservatives claim, but in Ottawa.

Minister, I'm going to ask you a question that many people have asked us. Instead of setting up programs, could Ottawa consider the idea of a single window approach, as in the health sector? The federal government could give Quebec a cheque. That would save us time. Then there would only be two levels of government dealing with housing: municipal and provincial. This would speed up housing construction, reduce delays and cut costs. So we could build more housing.

Could Ottawa be humble enough to stop worrying about housing and send cheques to Quebec?

Hon. Sean Fraser: Thank you for your comments, Mr. Trudel.

It's also important to recognize that we have an agreement with the Quebec government on funds to accelerate housing construction. It's a unique idea.

We are working together to meet the priorities that the Quebec government outlined to us. We've invested \$900 million and the Quebec government has invested the same amount. It's incredible.

Organizations that want to build affordable housing are using a single program that combines federal and Quebec government funding. This will encourage more jurisdictions to use a similar strategy.

• (1325)

[English]

It won't be the exact same solution for every program we use. However, we're making changes to our housing programs, both for supply in the market and for affordable housing, so we can work with other jurisdictions or potentially organizations that have the capacity to build a large number of homes and do it with a portfolio approach. This way, we can say to a provincial government, for example, that we'll use some of our funds to flow them through a program where they attach theirs to the same opportunity for people who will build the houses. We're making program changes to that effect now.

I don't know that it will be appropriate with every single program—it depends on what complementary programs provincial governments have in place—but with both the housing accelerator fund in Quebec and our other programs designed to boost supply, we're moving toward a portfolio approach to unlock the complementarity that exists when we have that strategy.

[Translation]

The Chair: Thank you, Minister.

[English]

That is the time, MP Trudel. Thank you.

We're going to MP Blaikie now. Usually, I would say this is the last questioner, but I understand there have been some discussions to allow MP Morrice to have two minutes right after MP Blaikie at the end.

Do we have UC for that?

Some hon. members: Agreed.

The Chair: Great.

It's over to MP Blaikie, please.

Mr. Daniel Blaikie: Right on.

I'll come back to the question of a non-profit acquisition fund. In part because the previous Conservative government—and now this government as well—did not renew operating grants that were tied to mortgages for affordable housing as they came up for expiration, corporate landlords and real estate investment trusts have purchased those buildings and squeezed tenants. In some cases, they have evicted them. Now they want to let those buildings go all over again.

I think there is a concern in the conversation on a non-profit acquisition fund. It should not be set up in a way that it becomes a divestment tool for some of these larger landlords that have acquired buildings with affordable units and then branded them up-scale.

I am wondering what kinds of guardrails you think should be in place for a non-profit acquisition fund to ensure that it doesn't become a divestment tool for the large financial interests that own those properties and is properly focused on ensuring that money spent is in the public interest and taxpayers are getting the maximum value.

Hon. Sean Fraser: I think whenever you're dealing with a new program design—and this is not specific to an acquisition fund, but generally—you want to understand for what purpose the program is in place and whether you are going to achieve that purpose. Right now, the purpose, in my view, of considering an acquisition fund or other measures designed to create more non-market housing is to increase the overall stock of housing in Canada that exists outside of the market.

I think you know this, but for the benefit of the committee, we're at a bit less than 4% of the total in Canada. The OECD average is closer to 8%. If we put measures in place, my goal will be to increase the proportion of homes that exist outside of the market. By the way, about 10% of Canadians, or a bit more, fall below the low income metric. I think we should be aiming to make sure they have a place they can afford.

In terms of the program that I would look at, my focus, if we're trying to support acquisition by non-profits, would be on making sure the building is held by someone who exists for the purpose of keeping it out of a market setting. I don't want to create a scenario where we put public resources on the table to eventually enrich a private investor who could be investing in the market themselves.

Long story short, we just want to make sure that the ultimate recipients of the funds we put in place are held outside of a market context so that 10 years from now we're not in the same place.

Mr. Daniel Blaikie: In a similar vein, there has been a lot of talk about using federal land to build new housing of various kinds. We saw recently in Ontario how wrong the release of protected land can go when there aren't safeguards in place to make sure that what's going to be done with that land is actually in the public interest.

We talk about the use of federal lands. Mr. Poilievre has talked about it. He has not proposed in his bill any safeguards of that type to ensure that public land is actually being used, as the New Democrats have proposed, for affordable housing and social housing.

What are some of the guardrails you think need to be put in place around the release of federal lands to ensure that those lands are properly used for the public interest and increase our affordable and social housing stock, instead of just being a boondoggle for investors?

• (1330)

Hon. Sean Fraser: First of all, you have to identify parcels of land that are appropriate for housing. If you're dealing with areas

protected for agricultural or environmental reasons, that is, in my view, a complete answer to the question. You should not use those lands for housing developments.

When it comes to the other elements, you want to look at guardrails being put in place to ensure you're getting a good return on affordability, because the purpose of putting federal lands on the table is to reduce input costs. It's not just to build more homes but also to offer them at a better price. I believe we should insist that a significant portion of the homes be affordable.

However, on the flip side of the coin, I want to be careful and try to build affordability from inclusionary zoning. We talk about ending exclusionary zoning an awful lot. I believe more neighbourhoods should include a mix of affordable housing and market-based housing. I'm not a purist in the sense that every single housing unit has to be owned by a non-profit just because it was once public land. A significant portion of it should be, but I also want the people living in the housing designed for low-income families to feel part of a neighbourhood, not segregated from people who live in market housing in the same building or the neighbouring building.

It's a bit of an art, but I think you have to put guardrails in place to insist that a minimum level of affordability is achieved. When I say "affordability" on public lands, I'm talking about affordability for low-income families, not just homes at and below market.

The Chair: Thank you, MP Blaikie.

For the final two minutes, we have MP Morrice.

Mr. Mike Morrice: Thank you, Mr. Chair.

Thank you, colleagues.

Minister, I want to start with some items we agree on.

We are in a housing crisis. I appreciate that you have been very clear about this. It is a crisis 30 years in the making. We need to legalize more gentle density, including fourplexes, for example. In fact, you have been making some excellent progress on that with the housing accelerator fund. Kudos on that.

My concern is over the number of builders I'm hearing from who are looking to build fourplexes. They look at what the federal government has available in terms of loans and contributions to make that happen. There's an irony there in that with the ACLP, which you spoke about this morning, if you go through the list, many...are five units and higher.

In advance of budget 2024, can you comment on efforts you're in the midst of to open up funding opportunities for those who want to build the very fourplexes you're having success in getting municipalities to begin legalizing?

Hon. Sean Fraser: Thanks for this question. It's timely. I will risk getting ahead of government policy in the spirit of candour.

This is an issue I'm looking at. We're figuring out whether we can adjust the rules now, but we have to do our homework to make sure we understand the consequences of the policy, both positive and potentially worrisome. Right now, my instinct is to err on the side of the positives, and not just because it will create financing for people who want to build four units. It could also potentially open up opportunities to convert existing single-family homes into multiresidential buildings. That's the style of most apartments in my community. They look like houses but have been divided to provide homes for different families.

The other piece is that if we are to make a change like this, it will coordinate the four-unit "as of right" zoning we embedded in our housing accelerator fund agreements with CMHC financing opportunities, as well as with the catalogue of pre-approved designs we're working on. This is so you have a line of financing for manufactur-

ing with pre-approval at a municipal level. If we do all those things, we can shave many months off the process of getting something built, reduce barriers for new entrants in the homebuilding sector and put roofs over the heads of a lot more families at better prices than those that currently exist on the market.

Looking at it, the work isn't done.

The Chair: Thank you, MP Morrice.

We thank Minister Fraser and officials for coming before us today for this housing study. Thank you for your testimony.

Members, shall we adjourn at this time?

Some hon. members: Agreed.

The Chair: The meeting is adjourned.

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