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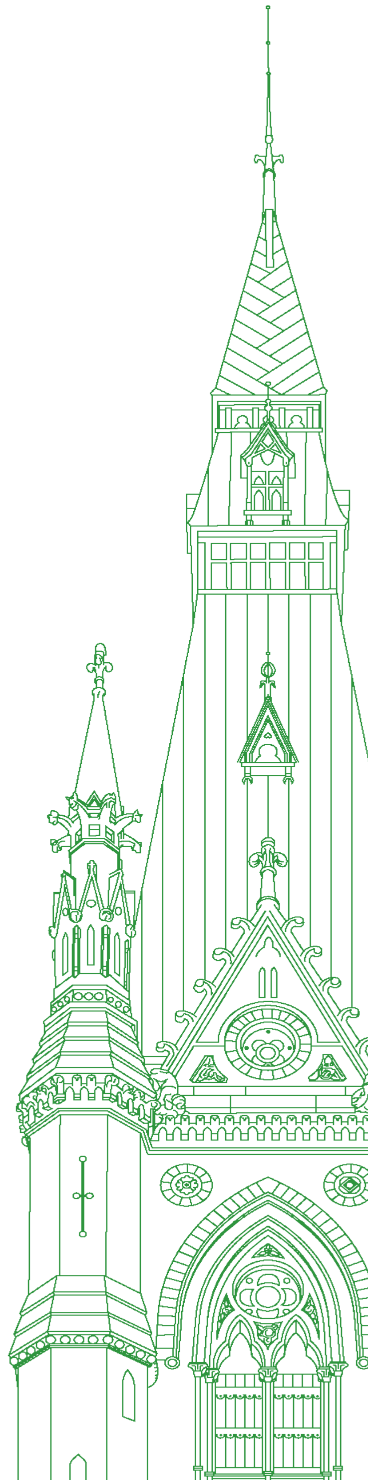

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● (1600)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I call this meeting to order.

Welcome to meeting number 39 of the House of Commons Standing Committee on Finance. Pursuant to the committee's motion adopted on Friday, February 5, 2021, the committee is meeting to study all aspects of COVID-19 spending programs and related monetary policy.

Today's meeting is taking place in a hybrid format, pursuant to the House order of January 25, and therefore members are attending in person in the room and remotely by using the Zoom application. Proceedings will be made available via the House of Commons website, and the webcast will only show those who are speaking.

With that, we will go to witnesses. Mr. Tremblay and Dr. Kershaw, I'm not sure whether you have five-minute remarks again or not. You were here recently; you don't need to go through long remarks if you don't want to. We can go to questions.

Dr. Paul Kershaw (Founder, Generation Squeeze): I prepared five minutes, for what it's worth.

Mr. Michel Tremblay (Senior Vice-President, Policy and Innovation, Canada Mortgage and Housing Corporation): As did I, Mr. Chair.

The Chair: All right.

I understand that some of the witnesses didn't get their headsets and that there may be a little difficulty with translation. We'll cross that bridge when we come to it.

We'll start with Mr. Tremblay from the Canada Mortgage and Housing Corporation. The floor is yours.

Mr. Michel Tremblay: Thank you, Mr. Chair.

I welcome the opportunity to continue our discussion of the solutions labs program, which is a key element of Canada's 10-year, $70 billion-plus national housing strategy.

I'd like to acknowledge that I'm joining you again today from Ottawa on the traditional unceded territory of the Algonquin Anishinabe peoples.

[*Translation*]

I explained how solution labs work in my previous appearance, so I won't go over that ground already covered, but I do want to reiterate our commitment and confidence in this innovative approach to solving complex housing problems.

As I mentioned last time, Canada Mortgage and Housing Corporation, or CMHC, has funded 47 solution labs as of December 31, 2020. I provided brief details on two of them. The examples I have given demonstrate how various stakeholders are focusing on vulnerable groups, who often fall through the cracks of the Canadian housing system. These groups require special, targeted solutions to meet their unique needs. This is the heart of the solutions labs.

[*English*]

There are many more examples I could share with you, but instead I want to take this opportunity to emphasize something we are not doing, which is funding research on a home equity tax. This was a significant topic of discussion at our last meeting. Regrettably, erroneous media reports—misinterpretation of the research parameters of one lab in particular—have led to this misunderstanding. I would like to put any concerns about this to rest today.

As is the case for most national housing strategy initiatives, the ultimate goal of the solutions labs program is to increase housing supply. There is a direct relationship between housing supply and affordability. Whether we are talking home ownership or rental housing, cost increases when there's not enough supply to meet demand. The impacts trickle down through the entire housing continuum. Increasing supplies of all types of housing is therefore the primary solution to the housing crisis that many communities and households face today.

It's no secret that house prices have been increasing at record levels in many of Canada's largest cities. Bidding wars are common, and many buyers are paying tens of thousands of dollars over the asking price to acquire a home. That means Canadians are taking on more and more debt. The combination of high house prices, low interest rates, high levels of household indebtedness and the economic uncertainty caused by the COVID pandemic represents a real threat to the financial well-being of young Canadian families and to Canada's overall economic stability. This is why OSFI has proposed to strengthen the stress test for uninsured mortgages. This proposal is fully supported by CMHC.

Making housing more affordable is why we exist. As I mentioned last time, we have set a bold aspiration that by 2030 everyone in Canada will have a home that they can afford and that meets their needs. There's no doubt that some of the ideas we have been hearing about from solutions labs will help us towards achieving this goal.

[*Translation*]

I would like to thank the committee for inviting me back to appear before them.

I'd be happy to take questions from the committee at this time.

● (1605)

[*English*]

The Chair: Thank you again, Mr. Tremblay.

We'll turn to Generation Squeeze and Dr. Kershaw.

You've been through this process before, not long ago. The floor is yours.

Dr. Paul Kershaw: Thank you very much.

As a reminder, I'm a policy professor at the UBC School of Population Health and founder of Gen Squeeze.

Gen Squeeze is a force for intergenerational fairness to improve Canadian well-being. It is powered by the voices of Canadians in our 20s, 30s and 40s, the kids we represent and the family members who love us, all backed by cutting-edge research.

When you requested my participation a couple of weeks ago, I focused in particular on the need for policy-makers to reduce an intergenerational tension in our housing system.

Our current policies incentivize many everyday households to want two incompatible things from housing. On the one hand, we often want housing to provide an affordable place to call home. On the other hand, we want housing to provide a good return on investment. The problem is that those two things are incompatible, because when something provides a good return on investment, by definition its value grows faster than local incomes. When something grows faster than local incomes, it becomes less affordable.

For the last several decades, a cohort of Canadians who tend to be older and reside more in urban areas have reaped substantial gains in wealth as a result of rising home prices, all while sleeping, watching TV, cooking, raising kids and making our homes. I share with you my own story about how my own wealth windfalls are implicated in that.

Unfortunately, one of the outcomes from housing wealth windfalls for people like me and others is that those who follow in our footsteps, our kids and grandchildren, have a much more challenging time to find a place to call home that is affordable, even in places where they grew up.

I pointed out last time that our national housing strategy so far fails to address this intergenerational tension, because it never once mentions the word "wealth". That omission reflects a hesitancy on the part of our world of politics to address intergenerational tensions. By being silent, our world of politics is collectively standing by as many Canadians are over-consuming wealth windfalls that erode the sustainability of the housing system to deliver affordability for generations to come.

It's quite similar to our climate change problem. While the last couple of years clearly signal some important federal progress, Canadian policy remains quite slow to address the reality that Canadians today are over-consuming the atmosphere's scarce capacity to absorb carbon. We don't yet price pollution at a high enough value for the harm that it's causing, so what do we do? We leave younger Canadians and future generations to pick up the tab for our present over-consumption of this scarce capacity, and that over-consumption undermines the sustainability of the very climate on which younger Canadians are depending for their health and economic well-being, and we know that's a big price to impose.

It's not just environmental debt; there's also government debt, which we know is ballooning as a result of the emergency response to COVID. That response is appropriate in this emergency moment, but the sustainability of government finances was already being disturbed prior to the pandemic, in no small part because the federal government was not prioritizing balancing budgets even when we were not in a recession.

One of the concerns I want to draw attention to today with the moments that I have remaining in my opening remarks is that the world of politics has shied away from helping Canadians to recognize another intergenerational tension, in this case in regard to our old-age security system, which is a very important system to protect, but it's at the heart of an intergenerational tension in our budgets. Our budget messaging coming out of Ottawa each year is risking burying those details in its fine print, which is not a partisan problem; it's a long-term problem.

The most recent budget is really instructive. Everyone in this room could be forgiven for thinking that child care was the biggest social spending increase in federal budget 2021. You should know that Gen Squeeze is proud of what happened in that budget. We worked hard to popularize the concept of $10-a-day child care when we first gave this label to a pan-Canadian child care recommendation in our lab over a decade ago, and along with tremendous mobilization by the Coalition of Child Care Advocates and early educators in B.C. , a 10aday.ca movement was born, and it's clearly had an important influence on national thinking.

I want to congratulate the federal government for really investing now in a meaningful way in child care, but it should be known that child care is nowhere near the largest social spending investment in the 2021 budget. Increases to OAS absorbed far more taxpayer dollars, and I beg of everyone in this room to go pay a lot of attention to table A1.6 of the budget, which shows that the Government of Canada plans to increase spending on OAS by $22 billion as of 2025, compared to a year ago.

● (1610)

That $22-billion increase is three times more than the roughly $8 billion that Ottawa plans to add to child care in 2025. It's more than the nearly $18 billion that budget 2021 plans to spend over several years for its green recovery to create jobs, build a clean economy and protect us against climate change. Also, it's about 10 times greater than the $2.5 billion that budget 2021 adds for affordable housing over the next several years. When Canadians and our politicians reflect on why our national government still plans a $31-billion deficit in 2025, well after we hope the pandemic-induced recession is over, it's going to be important to acknowledge that growth in OAS spending is a primary factor.

To be clear, OAS spending itself is not a problem on its own. Old age security is important because it helps seniors enjoy financially secure and healthy retirements. Almost every younger Canadian will have a parent or a grandparent who uses OAS. My mom and dad do, and so do my in-laws. However, it is a problem that governments resist being honest with Canadians about the need to consider new ways to raise revenue to cover its growing cost.

This means that today's retirees can rightly claim that they paid taxes towards OAS throughout their working lives, but the problem is that our governments weren't sufficiently honest with them about how much they needed to contribute in the past in order to ensure that their generation didn't take from the current system more than they put in. That outcome is unpaid bills that they leave for their kids and grandchildren.

Let me close. Intergenerational tensions are at the heart of a lack of political commitment to sustainability in our housing system, sustainability in our climate system and sustainability in our government budget system. Now is the time for us to come together to build for our world of politics the political cover to be courageous, to act on the evidence, to reduce these tensions, so that Canada truly works for all generations.

Thank you.

[*Translation*]

The Chair: Thank you, Mr. Kershaw.

[*English*]

We will turn now to The Shift.

Ms. Farha, the floor is yours. Welcome.

Ms. Leilani Farha (Global Director, The Shift): Thank you so much.

Good afternoon, everyone.

I'm Leilani Farha. I'm the global director of The Shift, an international human rights organization focused on housing. I'm also the former United Nations special rapporteur on the right to housing, a post I held for six years, until April 2020, and I was the executive director of Canada Without Poverty.

It will come as no surprise to you that Canada is in a long-standing housing crisis that has been exacerbated by the pandemic. I'm sure you've heard these stats before: 1.7 million households are in core housing need, and 235,000 people are living in homelessness. New homeless encampments are springing up in every city, big and small. More than 250,000 rental households are in arrears and are now at risk of eviction from their homes.

According to the OECD, Canada has seen a 168% increase in real house prices over the last 20 years. That puts us as the leader in the OECD, with the U.K. next, 70 percentage points below us.

In keeping with the federal government's commitment to the National Housing Strategy Act and to progressively realize the right to housing, budget 2021 includes a number of measures to address aspects of this housing crisis. However, in my opinion, a fundamental blind spot in the budget is its failure to address the monetary and fiscal policies that are heavily implicated in the housing crisis. With a few exceptions, it seems that structural changes to fiscal policy, beyond spending, are somewhat off limits for use in addressing the housing crisis. This blind spot suggests to me that the budget, despite its huge expenditures, might not be as effective as the government would hope.

Let me use affordability as the example, given that affordability is the cornerstone of the right to housing, or a cornerstone, and a key driver of homelessness and housing precarity.

The budget commits to a number of measures to address affordability: more money for the rapid housing initiative, rent supplements for women and children leaving violent relationships, and resources for community-based housing.

While those measures may produce some new affordable housing, Canada's monetary and fiscal policies actually incentivize housing unaffordability. As you know, the Bank of Canada has lowered interest rates and engaged in quantitative easing, which makes money cheap. It allows institutional investors easy access to the loans they need to purchase existing properties, and institutional landlords have a vested interest in raising rents.

It's not surprising, then, that in the last five years, and particularly in recent months, real estate investment trusts have been buying up affordable rental housing stock. For example, in January, I think it was, Ontario-based InterRent and Crestpoint REITs purchased 15 rental apartments, or over 600 units, in Vancouver. Starlight and Timbercreek bought seven buildings in Toronto in August 2020, and CAPREIT purchased 88 units in Halifax in the same month.

Increasing the turnover of tenants and raising rents is part of their business model. It's necessary to securitize loans and to project a solid return for prospective investors. A study out of Toronto from 2012 to 2019 found that financialized and corporate landlords filed 64% of all above-guideline rent increase requests, potentially impacting over 175,000 households.

The rise in REITs in Canada is in part due to fiscal policies that grant them preferential tax treatment. They are the only trusts, as I understand it, that do not pay corporate income tax. ACORN Canada reports that if seven—just seven—of Canada's residential REITs had been taxed at the same rate as non-REIT corporations, the government would have had an extra $1.2 billion in a 10-year period.

● (1615)

I should add that REITs and other corporate landlords also benefit from CMHC lending and mortgage insurance. Michel and I have talked about this on other occasions.

In conclusion, if the government had really examined the drivers of unaffordability and looked at its own fiscal policy, it would have been impossible to completely leave out measures in budget 2021 to protect tenants in arrears.

Really, for me it's the result of this omission that doesn't make sense. There are 250,000 rental households facing eviction, and as some of the most vulnerable low-income households, they are at real risk of homelessness. To me, that creates a zero-sum game for the government—addressing homelessness with one hand, and then creating it, potentially, with the other.

The Chair: Thank you, Leilani.

Before I turn to the last witnesses, the lineup to start, with six-minute rounds, will be Mr. Fast, Mr. McLeod, Mr. Ste-Marie and Ms. Kwan.

We'll turn to the last witnesses. Joining us as representatives of self-governing indigenous governments are Mr. Matthew Mahaffey, legal counsel and senior advisor for the Carcross/Tagish First Nation, and Ms. Bertha Rabesca Zoe.

I'm not sure who is leading off.

Ms. Zoe, are you leading there?

The floor is yours. Go ahead, and welcome.

Ms. Bertha Rabesca Zoe (Legal Counsel, Tlicho Government, Self-Governing Indigenous Governments): Thank you, Mr. Chairman.

Thank you to the committee for giving me the opportunity to speak today on this important issue.

My name is Bertha Rabesca Zoe, and I've been asked to speak on behalf of the Tlicho and other self-governing indigenous governments about the significant challenges our communities face when it comes to housing.

Close to half of Tlicho citizens do not have their core housing needs met. For those of you who may not be familiar with the Northwest Territories, Tlicho live just north of Yellowknife in four communities. There are over 20 communities in the Northwest Territories.

More than 128 Tlicho families are currently on a wait-list for housing. These families are waiting eight or nine years to get a roof over their heads. Over a quarter of the homeless population in Yellowknife is from the Tlicho community of Behchoko. I'm in Behchoko right now, and we're about an hour's drive from Yellowknife. Many of these people are young children, women and families. We simply do not have the houses needed to give them a place to live.

Tlicho citizens also face disproportionately higher rates of overcrowding. Twenty per cent of Tlicho families live in overcrowded conditions. There are very serious health implications to these housing gaps. Even before COVID-19, researchers were sounding the alarm on the impact of overcrowding in Tlicho homes. While tuberculosis was all but eradicated in most of Canada, as of 2018 the Tlicho community of Behchoko had more cases of tuberculosis than all the other communities of the entire NWT combined. This should come as no surprise.

Behchoko has been widely referred to as ground zero for the Tlicho housing crisis. The housing conditions in this community are objectively the worst in the entire territories. Measures such as social distancing and self-isolation are impossible to implement in Behchoko and for our citizens experiencing homelessness. This is the same for most first nations in the Northwest Territories, as well as across Canada.

Just this past weekend, schools in Yellowknife and the surrounding areas closed in response to a rising number of COVID cases caused by the U.K. variant of concern. Yesterday, the schools in Behchoko followed suit.

The Tlicho citizens who live in shelter systems in Yellowknife and the many Behchoko residents who travel to Yellowknife daily for groceries, work and other essential needs are all in danger. If just one citizen catches this virus, it will spread through our homes like wildfire.

When we say that our communities need housing, this is what we are talking about. When we say we are vulnerable to COVID-19, this is how dire it is.

I understand the committee is considering how the federal government is spending COVID-19 money on housing programs. My message to you is that more needs to be done to help self-governments like the Tlicho to address the fundamental housing shortages our people face.

The rapid housing initiative was a step in the right direction, but it did not go far enough to target the disparities in indigenous communities. Over half the available funding under the initiative went to municipalities. The second stream was open to indigenous governments, but we are competing with provinces, territories, municipalities and non-profit organizations for a limited pool of resources.

The evidence is clear that the housing crisis in indigenous communities far outstrips the needs elsewhere. We are, therefore, recommending that the committee consider these disparities and prioritize more funding to where the need is highest.

We also think that future initiatives need to be more responsive to the realities of remote communities. The rapid housing initiative prioritized housing projects that could be up and running in 12 months or less. Getting construction jobs organized in remote places takes time. You might have to wait for a winter road or a supply arrangement that takes longer than you would see in more southerly areas.

The Tlicho and other self-governments should not be disadvantaged because of the complexities of building infrastructure in remote locations. If future program spending does not incorporate more flexibility, we will continue to be disadvantaged in the ways that we have been for far too long already.

● (1620)

Lastly, funding for housing should flow directly to self-governments. Our treaties establish our governments as partners in Canada's system of fiscal federalism. Providing direct allocations is in line with the government-to-government relationships we share with Canada.

As you consider federal spending on COVID-19 programs and initiatives, I hope that you will keep in mind both the evidence of need in indigenous communities as well as the impact that an investment in indigenous housing would have, not just on reducing the spread of COVID-19 but on improving outcomes for generations of indigenous citizens across the country. I am hopeful that the challenges posed by COVID-19 will give us an opportunity to right some of the historic wrongs that continue to impact our people and an opportunity to build a brighter future for our citizens.

Marsi for allowing us to present to you today. I have with me my colleague, Matt Mehaffey; he was introduced earlier. He will be available to answer technical questions if you have them.

Marsi cho.

● (1625)

The Chair: Thank you very much for your presentation, Ms. Rabesca Zoe.

Thank you all for your presentations.

We'll turn to questions. The first round will be six minutes for each. We'll start with Mr. Fast.

Hon. Ed Fast (Abbotsford, CPC): Thank you, Mr. Chair.

My first question is for Mr. Tremblay.

Mr. Tremblay, you're familiar with the project charter that established the solutions labs study on intergenerational wealth and equity, correct?

Mr. Michel Tremblay: I am. Yes, sir.

Hon. Ed Fast: Who actually drafted the project charter itself? Was it the CMHC? Was it Generation Squeeze? Who did that?

Mr. Michel Tremblay: I believe we did that in collaboration with Dr. Kershaw. I wasn't intimately involved, as Dr. Kershaw was, but I think it was a joint effort.

Hon. Ed Fast: When that study report is finished, what would it be used for? What's the purpose?

Mr. Michel Tremblay: The purpose of the report, as Dr. Kershaw mentioned in his opening remarks both today and yesterday, is to look at wealth inequality and its impact on affordability. It will then be published, and people can look at it and determine what they want to do and what next steps could be.

Hon. Ed Fast: Would this be something that government would look at and use to be informed on future housing policies?

Mr. Michel Tremblay: The information would be available on our website, so it would be publicly available to whoever would want to look at it. It would be just one data point among all sorts of other data points in terms of making policies.

Hon. Ed Fast: Okay.

I refer you to the executive summary. The executive summary, of course, is supposed to summarize what the study is about. It refers to being about one key source of this intergenerational inequality, a tax policy that privileges home ownership and shelters housing wealth.

Because it refers to one key source but doesn't go beyond that, what are the other key sources of intergenerational inequality that might have been studied?

Mr. Michel Tremblay: I think that it's probably best for Dr. Kershaw to elaborate on that.

Hon. Ed Fast: I'd be glad to ask him that question, but I thought that maybe the CMHC would be familiar with the executive summary itself and why the executive summary only refers to one key source of that intergenerational inequality: tax policy that privileges home ownership.

Mr. Michel Tremblay: I think it's a known fact that there have been studies on home ownership being preferred over rental housing to the tune of 8:1 and to as much as 15:1 in terms of Canada. That includes provincial governments, municipal governments and so forth. I don't think that we can dispute that it is one of the key sources.

Hon. Ed Fast: All right. I'm glad to hear that.

Mr. Kershaw, given the fact that one of the areas to be examined was going to be tax policy as it relates to housing wealth, has your organization, Generation Squeeze, actually taken a position on a home equity tax?

Dr. Paul Kershaw: That's a really interesting question. I also will take a step back to when you were asking Mr. Tremblay about other policy areas we were considering. Just to have that on the record, we're looking at public finance generally, and that actually does coordinate quite well.

As for observations about monetary policy and surtax policy writ large, she gave you an example of the non-taxation of capital gains at REITs levels. There is a big subsidy there, a big incentive for REITs and other big companies to make investments through the housing system, and they're incentivized to do so in Canada. Monetary policy right now is making it very inexpensive for people to borrow. It's a great way for people to think about getting into the market and then, once they are, hoping that they'll get a good return on investment as well. We were looking at those broad ranges of things.

In the case of Generation Squeeze, we have published on tax policy issues in the past. We are not a group that recommends a tax on capital gains on housing for a range of reasons that I'm happy to go into with you in more detail, but we do encourage a focus on a bit of a tax shift. How might we focus on the 9% or 10% of homes that are valued above $1 million in Canada? How could we ask those homeowners—which include me, by the way, in the burbs of metro Vancouver—to contribute more in order to reduce taxes on renters and other low- and middle-income earners or to invest in other important programs?

● (1630)

Hon. Ed Fast: Yes. I noticed that you mentioned in your exchange with Mr. Julian last time around the fact that maybe the threshold should be $1 million.

When you talk about a tax shift, what exactly are you talking about?

Dr. Paul Kershaw: This is something that I think is gaining momentum among a range of parties federally, and with good reason. A tax shift would be about how we want to, generally speaking, raise more revenue for governments by putting more tax on things we want less of and less tax on things we want more of. We would move away from relying so heavily on taxing earnings, especially in that middle- to low-income level, and we think that in this case there's good reason to increase the pricing on pollution. I want to congratulate your party and your party leader for moving in that direction. I think it's critical to build convergence among all parties in Canada right now, and I'm confident it will win you some younger votes.

I would also say we should be taxing wealth. We often hear, particularly on the NDP side, more taxing of wealth at the $20-million range, but there is good reason to be thinking about taxing wealth in a slightly broader part of the population there, thinking about people like me. Houses are hard to hide from the CRA—

Hon. Ed Fast: Yes.

Because my time is short—

The Chair: This is the last question, Ed.

Hon. Ed Fast: —I'll focus on the tax shift as it relates to housing. What does that look like?

For the 9% of Canadians who have homes worth $1 million or over, when you talk about a tax shift, are you talking about taxing their equity? If so, that's effectively a home equity tax. Wouldn't you agree?

Dr. Paul Kershaw: I tend to interpret people who talk about a home equity tax and not having a home equity tax right now and are talking about introducing that as talking about taxing capital gains. We already have a strong tradition in Canada of taxing property values. We do that in every city across the country. It happens annually. What I'm talking about doing is adding what you might call a progressive surtax on those highest-value homes. It would not be done so much at the municipal level; we'd be thinking about this provincially or federally.

This is an idea that is getting traction with a range of organizations and groups. That kind of thinking, to be frank, has emerged in the solutions labs.

The Chair: We will turn to Mr. McLeod.

Michael, you have six minutes.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

Thank you to all the presenters today.

My question is for the self-governing indigenous governments.

Whenever we talk about indigenous governments and refer to indigenous organizations and indigenous there are the NIOs, the national indigenous organizations, and there's the LCC, the land claims coalition, and now the SGIGs. Everybody has a difficult time understanding the difference.

You pointed out, Bertha, that there was a huge challenge for housing. However, recently, a few years ago, there was $1.5 billion announced for the national indigenous organizations to provide housing to indigenous people. How does that work with the self-governing nations? Could you maybe give us a quick explanation?

Ms. Bertha Rabesca Zoe: As you know, the self-governing indigenous governments were using that label because there are a lot of indigenous governments across Canada that are Indian Act bands. We try to differentiate that with the ones that have self-governing agreements. That's where the SGIG comes in. Because we have a direct relationship with Canada, which is based on our treaties, we lobby very hard to make sure that we have that direct relationship with Canada and we don't go through the NIOs, which don't speak for us.

In terms of that $1.5-billion budget you're asking about, I will ask Matt to answer that question. Matt is the key technical person on the fiscal work we're doing. He's one of the several key technical people, so Matt could just jump in here.

● (1635)

Mr. Matt Mehaffey (Legal Counsel and Senior Advisor, Carcross Tagish First Nations, Self-Governing Indigenous Governments): On the $1.5 billion, when it came to allocating funds to the Northwest Territories, no first nation communities in the Northwest Territories except for possibly the Hay River Reserve, were eligible for any of that money, so none of it ended up in indigenous communities in the Northwest Territories.

Other self-governing nations did receive some funding as a result of that, but by the time the resources were allocated.... For example, the Carcross/Tagish First Nation received enough funding to build a third of a house a year for three years.

The funds that are being identified to address infrastructure and housing investments in indigenous communities are simply not reflective of the actual requirements. As some of the presenters were identifying, we're running into some of the same issues, in that the costs of addressing those necessary investments, because of the national housing circumstances, have increased in the last 12 months by 30% to 150%, depending on what region of the country you're in, so the gap is growing faster than the investments.

By the time they are allocated across the country, there is simply not enough for any individual community to make any meaningful—

Mr. Michael McLeod: Can I interrupt you, Matt?

I would note that $4.3 billion over four years was identified in the budget for the indigenous community infrastructure fund. We expect that it's from there that the request your organization has submitted will receive funding from—pending approval, of course.

Is that something you expect will help meet the housing challenge the self-governing nations are experiencing?

Mr. Matt Mehaffey: We're hopeful that it will, but again, it's going to be very difficult when you look at spreading that funding out over four years and across the country.

Self-governing nations are prepared to have a shovel-ready kind of approach to addressing affordable housing in the 29 self-governing first nation communities. We're hopeful that some of that will find its way into our communities, and in particular we're optimistic that this time first nations communities in the Northwest Territories will not be left out, thanks to the proposal that self-governing nations have prepared on addressing housing gaps.

Mr. Michael McLeod: Why is it important that the funding be direct? Bertha stated in her presentation that the funding should be direct—not through CMHC, but funded directly through indigenous governments such as Tlicho.

Mr. Matt Mehaffey: Generally our experience is that programs that are developed by CMHC are designed for reserve circumstances. When we enter into comprehensive land claims and self-government agreements, we have a different legal structure and different arrangements.

As a result, oftentimes the programs that are rolled out by CMHC may be very well designed for their intended audience, but they don't always fit for self-governing nations. That's why we are like a broken record on this issue when we come to present to people like yourself. It's about the fact that without a proper self-government lens in the development of programs, it's important to have direct access for those governments so they can actually design and put in place the services that are necessary to meet the needs of their population.

● (1640)

Mr. Michael McLeod: I have one more question.

The Chair: We're a little over, Michael, but we'll let you go ahead.

Mr. Michael McLeod: Okay. I'll be quick.

In the budget there was $25 million for the Government of the Northwest Territories and $25 million for Nunavut. For a lot of us, it was an important immediate step. We expect that there will be further discussions on the urban, rural and northern indigenous housing strategy. I'm wondering if that is different and separate from what you're talking about.

Mr. Matt Mehaffey: Yes. We have to remember that there are two different governments that are responsible for the housing. That's going to the Northwest Territories, which has its own responsibilities and its own significant housing deficits. It doesn't necessarily address any of the issues faced by the Tlicho government in their communities.

Mr. Michael McLeod: Thank you.

The Chair: Thank you.

I do have to come in here for a second, Mr. Mehaffey. You said it was “a third of a house a year for three years”. That's one house in three years. That's not very good, if you ask me.

What is causing that? Why are we not getting the money where it needs to go and why are we not getting the houses built?

Mr. Matt Mehaffey: I think there is yet to be a full reckoning with the scale of the housing and infrastructure deficit in indigenous communities. As a result, the investments that are made don't start to put a dent in that deficit. As a result, the resources provided are often used up on temporary band-aid solutions that don't produce a meaningful result. We just continue to throw good money after bad rather than grapple with the scale of the deficit that exists.

[*Translation*]

The Chair: Thank you.

[*English*]

We'll turn now to Mr. Ste-Marie.

You have six minutes, Gabriel.

[*Translation*]

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

I have to say that I am really upset about what we learned in the last exchange. It is appalling.

I want to acknowledge all the witnesses and thank them for being with us today. I also thank them for their presentations.

I also want to acknowledge my colleague Ms. Kwan, who is joining us this afternoon.

Mr. Tremblay, CMHC just released its 2020 annual report. Are you able to answer any questions that relate to that report?

Mr. Michel Tremblay: I will try to answer to the best of my ability.

Mr. Gabriel Ste-Marie: Very good. Thank you very much.

On page 61, under the subheading “Our Risk Profile,” there is an item titled “Strategic Risk.” This is actually considered high. It states:

> The need for housing affordability is accentuated by the asymmetric K-shape recovery, which could undermine the achievement of our aspiration.
>
> The shift in housing market dynamics, changes in mortgage insurance market share, and rapid implementation of intervention programs have elevated pressure on strategy execution.

Can you comment on and explain these statements?

Mr. Michel Tremblay: I certainly can do that. I talked about it a little bit earlier.

Affordability, rising prices, the pandemic, and very low interest rates have all played a role in the National Housing Strategy, which aims to provide affordable housing for all Canadians. This is the set of risks we illustrate.

Mr. Gabriel Ste-Marie: The next section talks about emerging risks.

We see that CMHC is targeting increased need for affordable housing and structural rebalancing of the housing market.

Could you explain those two aspects a little more?

● (1645)

Mr. Michel Tremblay: In terms of increasing needs, we believe that the solution in terms of affordability and climate is through some intensification in Canadian urban cities. We sincerely believe that this is one of the solutions that is likely to increase the supply of housing.

I'm sorry, I don't have the document in front of me. Could you repeat the second part?

Mr. Gabriel Ste-Marie: The second part focuses on the structural rebalancing of the housing market. Declining immigration, social changes, including telecommuting, are cited. It also says that there could be an increase in the supply of condominiums and rental housing. There is talk of the end of eviction bans and its impact on the rental market. There is also a reminder that the pandemic has changed the dynamics of the housing market throughout the year, so there is a need to adapt.

Mr. Michel Tremblay: I think this still illustrates some of the uncertainties of the pandemic. We don't know yet how people are going to react. Right now, a lot of people are moving out of urban settings and into suburban areas.

Will this continue? What will happen in the inner cities? Will many businesses adopt telecommuting? These are uncertainties that need to be considered.

As Ms. Farha also mentioned, there are 235,000 Canadian renters who are behind in their rent payments right now. What is going to happen in that regard?

We need to take all of these things into account as we develop our strategy.

Mr. Gabriel Ste-Marie: Thank you.

If I understand correctly, you are carefully observing all of these aspects. However, does CMHC already have an opinion on the trend regarding telecommuting? Have you ever estimated how much telecommuting would continue in the wake of the pandemic? Would it be 10%, 50% or 75%?

Can you produce an estimate on this, or are you more of a careful observer?

Mr. Michel Tremblay: For now, we are in an observation phase. We are in the process of seeing what happens. It's a little too early in the pandemic to determine whether these are medium- or long-term trends.

Mr. Gabriel Ste-Marie: Thank you very much.

On page 56 of the annual report, there is a section that I find particularly interesting. It is an analysis of climate change risks, an analysis that we are seeing more and more in finance.

Are you able to tell us how CMHC is incorporating such risk analysis into its activities in the Canadian housing market?

Mr. Michel Tremblay: We recently, last year, in fact, appointed a chief climate change officer, who would probably be better able to answer that question.

At this point, I can say that all of the products in the National Housing Strategy require some degree of energy efficiency. We are also beginning to consider issuing social bonds, and we are looking at a framework mechanism on that front.

Many initiatives are being looked at right now from a climate change perspective, including their impact on residential building resilience.

Mr. Gabriel Ste-Marie: I see; that's very interesting.

As far as green bonds go, as I understand it...

Mr. Michel Tremblay: Yes, that's right.

Mr. Gabriel Ste-Marie: Is CMHC interested in issuing green bonds to finance energy efficiency retrofit programs?

Can you elaborate on that?

Mr. Michel Tremblay: As you know, we already issue Canada Mortgage Bonds. This would be based on the same principle, but it would be green bonds.

Mr. Gabriel Ste-Marie: This is very interesting. We will definitely invite you back to discuss this in the future.

On pages 36 and 37 of the report, there is a section titled “Capital Management.” There is a table there that shows ratios. We see that between 2019 and 2020, the percentage of available capital appears to have increased. If you look at the line “Mortgage Insurance: capital available to minimum capital required,” it goes from 195% to 234%. On the next line, “Mortgage Funding: available equity to required equity,” it goes from 190% to 263%.

Do you know what accounts for this increase in the ratio during the pandemic year?

● (1650)

Mr. Michel Tremblay: Thank you for the question.

[*English*]

The Chair: That will be the last question in this round, Gabriel.

[*Translation*]

Mr. Michel Tremblay: One of the main reasons for the increase in ratios is that in 2020, we suspended dividend payments to the government, given the uncertainty in the housing markets and all the uncertainty related to the pandemic. We wanted to be able to have capital available if there were increased losses in the insurance business.

Mr. Gabriel Ste-Marie: Thank you for all the clarifications.

[*English*]

The Chair: Thank you both.

Following Ms. Kwan will be Mr. Kelly.

Jenny, everybody else had seven minutes, so you will too. Go ahead.

Ms. Jenny Kwan (Vancouver East, NDP): Thank you very much, Mr. Chair.

I am delighted to join your committee for today.

My first question goes to CMHC.

For CMHC's insured loans of new constructions and acquisitions, CMHC must be satisfied that a property has achieved a projected rent level in order to achieve a loan beyond 70% to 75%. Do these rental achievement requirements need a minimum amount of rent to be met, based on the amount of the loan?

Mr. Michel Tremblay: Sorry; just to clarify, are you talking about our multiple underwriting loan insurance or homeowner?

Ms. Jenny Kwan: I am talking about the loan grant programs for multiple units, not for individual homeowners.

Mr. Michel Tremblay: Okay, thank you.

Yes, before we underwrite and provide insurance, we do make sure there is a capacity to repay, and that would include both rent as well as operating costs and pro forma financial statements to make sure there is an ability to pay.

Ms. Jenny Kwan: Sorry, my question is this: Is there a minimum amount of rent to be met, based on the amount of the loan?

Mr. Michel Tremblay: The answer to that would be that we can't just look at the rent and the loan. We have to look at the operating cost of the building and so forth. It's the capacity of the borrower to be able to repay the loan. Rent is obviously a consideration, but it can't be the only thing we look at.

Ms. Jenny Kwan: There is no minimum rent requirement, then.

Mr. Michel Tremblay: No, there isn't.

Ms. Jenny Kwan: CMHC's response to one of my written order paper questions shows a spike starting in 2015 of REITs acquiring existing properties with moderate rent. It also indicated that CMHC does not track rent for insured projects after funding. If rent is not tracked after CMHC provides funding, what safeguards are there in place to prevent REITs from jacking up the prices in the properties that they have acquired, including through reno evictions?

Mr. Michel Tremblay: Thank you for the question.

First I'll just set up the context. Thirty per cent of Canadians rely on rental housing for their homes. Purpose-built rentals have not been a very active market over a number of years, which means that the stock is very old. The rental construction financing initiative has changed that somewhat, with the construction over the next several years of 70,000 units.

I do want to point out that the private sector is the largest provider of rental housing, including housing that is affordable, in this country.

That said, you mentioned REITs specifically. I can tell you that while this segment has increased, and certainly they have bought significant properties over the last several years in the large census metropolitan areas of Canada in Vancouver, Toronto and Montreal, but in Vancouver, for example, they are still less than 5% of the market. In Toronto they are less than 15%, and in Montreal they are less than 10%.

As far as our mortgage loan insurance support for that is concerned, we do want to encourage new construction in purchases and refinancing, but we tightened our rules in May of last year to restrict the use of funds for refinancing purposes to make sure of the supply and preservation of housing.

Ms. Jenny Kwan: CMHC doesn't track the rent, though, and you also don't have a minimum rent requirement. Then really, because you're trying to ensure that their project works, it means that the higher the rent, the more likely the project is going to work, so it doesn't really provide for more affordable rental stock.

CMHC doesn't have a policy to ensure that this is in place, and there are no safeguards in place to prevent REITs from jacking up the prices in properties. That's the result of the program: It doesn't really provide the affordability measures that I think are required.

● (1655)

Mr. Michel Tremblay: There are two aspects to that.

One, we do have a multiple insurance product that is for more affordable housing, so they do get an additional premium for that.

Again, this is more about ensuring that there is supply in the market, because the solution is more supply, and the more we restrict supply, the harder it's going to be for affordability purposes. There is a trickle-down effect that happens when rents.... Again, these buildings that are being purchased are sometimes very old, and the alternative is sometimes not better.

Ms. Jenny Kwan: I'm going to turn to Leilani on the next question.

If CMHC is increasingly providing insured loans for the acquisition of existing moderate-rent properties, is it likely that these acquisitions are contributing to the increased cost of rent?

Ms. Leilani Farha: We know that the business model of REITs requires an escalation of rents.

Please realize that I'm a human rights lawyer. This is what I've learned over time, so bear that in mind.

As I understand it, the way it works is that real estate investment trusts rely on investors. They're often institutional investors like pension funds, insurance companies and that kind of thing. If you're an investor, you want to know that you're going to get a good return on your investment. REITs generally will provide somewhere around....

Let's say 8% is expected. The way the REIT guarantees a good return on your investment is they show how they're going to generate income. The way they generate income is through rent. They need to show a progression. That means a certain amount of tenant turnover, because it's generally necessary, based on provincial and territorial law, to get tenants out in order to raise rents. The only other way is above-guideline rent increases, which they do as well. They'll do these modest renovations, which are often not the kind of thorough renovations that I think Michel and the CMHC would like to see. They're more what we call “Ikea renovations”. They're modest and not always necessary. Then they use that to apply for above-guideline rent increases.

You have to understand that it's really part of the business model. It's not that they're just being mean; it's their business. The business is to create profits for their investors, and pension funds need a good return on their investment, so that's how it's structured.

Ms. Jenny Kwan: They also have to meet the CMHC requirements, which of course is to justify that they can actually meet the requirements of the loan from CMHC. That also means that they have to increase their rent in order to meet that requirement.

The Chair: That'll be the last question, Jenny.

Ms. Leilani Farha: I think Michel is better placed to answer that.

I do think that CMHC could be saying to the REITs that get loans from them that they are going to give them the loan on certain conditions. They could make it a condition, for example, that there are no rent increases for five years. Denmark has a law like that. They don't have a body like CMHC, but I don't see why CMHC couldn't do something like that.

The Chair: Okay. You'll be back on a little later, Jenny.

We'll turn to Mr. Kelly, followed by Ms. Dzerowicz.

It's a five-minute round or a little bit more, Pat.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Great.

We've had some fascinating testimony so far. The last meeting we had with CMHC and Dr. Kershaw was also quite fascinating.

I'd like to pick up more or less where Mr. Fast left off with Dr. Kershaw. At the end, I think I heard you say that yes indeed, Generation Squeeze has taken a position in favour of attacks on real estate wealth and a tax shift away from the incomes of younger people into taxing the wealth of primarily older Canadians.

Can you give me some details of what you would recommend that this kind of real estate wealth tax would look like?

● (1700)

Dr. Paul Kershaw: I have a couple of key observations.

First, I think that what one would aim to do is make a tax shift that benefits the vast majority. How could we get 80% or 90% of Canadians better off, either by paying lower taxes or receiving larger benefits from government investments? That would be the primary goal.

Then, consistent with conversations that are happening more and more at the federal level—this is across a number of parties that are being represented today—think about asking those with more means to contribute. We can have an interesting conversation about whether you want to go after the people who have 1%, 2% or 5% of the wealth. Given where we are these days—

Mr. Pat Kelly: Sorry. If I may, what's implied by this is that it's the wealth that is largely, for most Canadians, in the form of real estate equity that ought to be taxed, as opposed to a person's income. How would that look?

Dr. Paul Kershaw: There are a range of policy mechanisms that could facilitate that. One of the things we definitely want to do is to defend against the risk that someone who has a high-value home but a generally more modest income would suddenly need to leave their home.

What you would do is think about how you calculate the additional minor tax we are asking people to contribute over the years that they're living in their home. There'd be the possibility to defer it, just as every province right now offers most seniors the opportunity to defer their property taxes until the sale of—

Mr. Pat Kelly: Would a person report to the Canada Revenue Agency their status as a homeowner and the home's assessed value each year? How would you recommend federal policy-makers address this?

Dr. Paul Kershaw: There are a range of ways to consider it. In any format, it's likely that either provincial or federal governments would need to be collaborating with the provincial housing authority, which already assesses everyone's homes on an annual basis for the purpose of collecting property taxes. You would then be homing in on the high-value homes that meet your threshold—1%, 2%, 5% or 10%—and a potentially deferrable annual tax could be put on there in order to do two things. Remember, we have to ask, “What's the intention?”

First, the key intention has to be to slow down the growth of Canadian home prices, which are leaving earnings behind. If a pandemic-induced recession is unable to slow down home prices, we need to concede that—perhaps unintentionally, but nevertheless—our housing system is designed to tolerate home prices that leave earnings behind. We'd like to think about what policy mechanisms might help slow that down and signal, “Hey, right now we shelter high-value homes from taxation in a way that we don't shelter other kinds of assets.” That incentivizes people to treat that as a way to make a good return and not just to have an affordable home. How can we close that a little bit? That's a key first point.

Then, as a salutary benefit, it's going to collect some additional revenue, which we could then invest in building more purpose-built rentals, especially when it's green, co-op housing, etc.

Mr. Pat Kelly: How much real estate equity tax would the federal government have to raise to achieve the kinds of policy suggestions you have also made, such as increasing benefits or reducing taxes for young Canadians? How much money would you recommend the federal government try to raise with the kind of tax that you're proposing?

Dr. Paul Kershaw: Yes, that's a great question. I don't think I've ever been asked it in quite that way before. I don't think we've ever supplied that kind of precise answer. If that's something that your party is interested in considering, I'd be delighted to follow up. I would be prepared to create a briefing note for sure, and could share—

Mr. Pat Kelly: Don't misunderstand me; it's actually the other party whose crown corporation has funded your study. I think that I would—

Dr. Paul Kershaw: We should be very careful about the optics. I know that's a really good slogan for a campaign that may happen later this spring or next year, but that is not in any way accurate. No member—

● (1705)

Mr. Pat Kelly: Let me point out that this was when you suggested I might want to adopt that or suggest it for my platform, but if I—

Dr. Paul Kershaw: It's worth considering, though, for your platform. In all honesty, you are a party that definitely wants to be helping the regular folks. That's a big part of your narrative. I'm proposing a tax shift that could help you do just that.

Mr. Pat Kelly: Indeed, there is much in your opening statement that I agree with. Really, there's nothing partisan in this.

I'm fascinated by your take on this issue. If I have time, I actually would like to go back to your opening statement—

Dr. Paul Kershaw: Let's do it.

Mr. Pat Kelly: —of last Tuesday. You characterized all foreign investors, money launderers, speculators, NIMBYists, developers, landlords and realtors as “the low-hanging fruit” that Canadians blame for rising real estate prices while ignoring.... It was right there that the bells went and you were interrupted—

Dr. Paul Kershaw: Yes, it was. Housing rendition—

Mr. Pat Kelly: —so I'm quite interested to know more.

I spent over 20 years in the mortgage business, so I'm familiar with a lot of these arguments. I would suggest that none of that fruit is particularly low-hanging, and very little has actually been addressed by any level of government, although yes, there's been a little bit around the edges of some of them.

Is it your contention that none of those factors are the primary ones to blame, that it's tax incentives for home ownership that are...?

Dr. Paul Kershaw: No, I think that would be a mis-characterization, and let me be clear. While some fruit may be lower-hanging than others, we need to be picking all that fruit. We desperately need to be using every tool in our tool box to address this crisis of housing unaffordability—

Mr. Pat Kelly: Before the chair cuts me off, one last one—

The Chair: You are well over, Pat, but we'll give you one more.

Mr. Pat Kelly: I wanted to get to—

The Chair: You're lucky we've got ample time tonight. This is the last question.

Mr. Pat Kelly: In your statement, I don't think you mentioned this, but maybe you did. Part of what we've studied at this committee is monetary policy, and other witnesses have talked about the incentives there, not just to institutional borrowers but to regular borrowers—to any borrower, really.

Could you comment on monetary policy, or if the chair won't let you, later in a different round?

Dr. Paul Kershaw: Yes, and this is really critical, so let me keep this succinct.

Monetary policy has captured more and more of our attention in the past year during the pandemic in terms of its collateral damage to housing unaffordability. A key thing to start with would be to invite Statistics Canada to review how it measures the inflation of “owned accommodation”. Right now it is doing a relatively poor job of capturing the total amount of inflation in home prices, and then its measure of CPI gives governments like ours today, and even to some degree as a risk for the Bank of Canada, not the most accurate information.

I'd love to go into that in more detail. That's a theme that is definitely emerging in the solutions labs.

The Chair: Thank you both. That was a wide-ranging discussion, if I do say so.

We'll go Ms. Dzerowicz, who'll be followed by Mr. Ste-Marie and Ms. Kwan.

Julie, you'll have about six minutes.

Ms. Julie Dzerowicz (Davenport, Lib.): Thanks so much, Mr. Chair.

I think, Mr. Chair, we should let the record show that Mr. Kelly asked for a briefing note on a tax on capital gains. I'm just nudging you, Mr. Kelly.

Anyway, Mr. Kershaw, I'm going to start off very quickly with a statement you made at the start of your last session with us. You started, I think without being asked, by indicating nobody from our current government, whether it is a cabinet minister or anybody, has asked Generation Squeeze or you for any tax policy advice.

Can you confirm if that is true?

Dr. Paul Kershaw: That is true, and let me just add that the reason this has become a little more of a media issue and an issue before this committee is that when we were extending our invitations to people to participate in our solutions lab, we issued some generic material to about 70 different people representing a range of groups. We went after people who were experts on monetary policy, so I had to tell them why an expert on monetary policy would come to this housing issue. We invited some people who are interested in co-ops, so we told them. We also went to the Canadian Taxpayers Federation, people we knew would probably be very skeptical about some of the ideas that Mr. Kelly is skeptical about, and invited them to come and participate as well. In the process of doing so, we wanted to make clear why we'd invite a tax group to a solutions lab on housing, and they then have taken that material and mis-characterized it with the idea that we'd be focusing exclusively on taxation because that's what we emphasized in their invitation.

That is the origin of this little media brouhaha.

● (1710)

Ms. Julie Dzerowicz: Thank you, Mr. Kershaw.

Mr. Tremblay, just to make sure that this is crystal clear as well, CMHC does not by law offer advice on tax policy to the federal government. Can you confirm that?

Mr. Michel Tremblay: I can confirm that, yes.

Ms. Julie Dzerowicz: Thank you, and then I want to continue with you.

One of the biggest issues in my riding of Davenport—downtown west Toronto—is not only affordable housing. It's a huge issue, and they're very big supporters of co-ops in my riding as well. Housing affordability is a huge issue.

Of the people in my riding, 43% were born outside Canada. They're immigrants, so they want their kids to own homes. It's very much what they push for.

The federal government introduced the first-time homebuyer incentive. Has it helped young people buy their first homes? Could you speak about that for 30 seconds or so?

Mr. Michel Tremblay: As of March 31, 2021, it has helped nearly 11,000 Canadian households access houses with a lower monthly payment, including approximately $60 million in Alberta and $60 million in Quebec. It has been less successful, obviously, in the large urban areas like Toronto and Vancouver. I believe today or yesterday the federal government did announce some enhancements to the first- time homebuyer program in Toronto, Vancouver and Victoria census metropolitan areas, which will allow the maximum house prices to go—from memory—from $505,000 to $722,000, so obviously there are some possibilities of more take-up now in those cities.

Ms. Julie Dzerowicz: Okay. Thank you so much, Mr. Tremblay.

Ms. Farha, thanks so much for your presentation. You had lots of information there. I wish we had more time to get into the monetary aspects that Mr. Kershaw sort of ended with. To be honest, the reality is that in an unprecedented pandemic, there were a series of measures taken to try to continue to provide a solid foundation for our economy, and they had unintended consequences. I think that is the broader story. I wish we had more time to get into it.

I also want to say thanks for pointing out that there are some fiscal policy aspects that you think the federal government could be moving on to address some of the issues around housing in Canada. I really appreciated your pointing out the issue around REITs. I know you're a lawyer, but if you have any other ideas that you might want to put forward to us, I'd be grateful if you could submit them to the committee. We don't have time to go through them right now, but it would be very important for us to hear about them.

The question I want to ask you is about something I think about all the time. In downtown Toronto a huge issue bearing on why house prices are so high, in my opinion, is that we have such limited supply. Supply can actually be freed up at our provincial level. They hold a lot of the powers around housing as well.

I'd like you to address a couple of things. Do you agree that there is a role also for the provinces in terms of maybe increasing the supply, such as around zoning, and also in protecting tenant rights? Could you address that?

Ms. Leilani Farha: That too is a huge issue. A lot of people have taken as an assumption that a lack of supply is the problem. I query that, to be honest. I'm not saying we don't need more deeply affordable housing supply, because we do, but do we need just more supply? I'm not so certain. Can we access deeply affordable supply based on stuff that actually already exists? Maybe. Should we be protecting existing affordable supply? Most definitely.

So the supply question is—

Ms. Julie Dzerowicz: It's actually a provincial question. Do they also play a role in helping to resolve this issue?

Ms. Leilani Farha: Obviously, housing is technically and constitutionally a provincial and territorial jurisdiction, but as Mr. Kershaw, Mr. Tremblay and I have already indicated, monetary and fiscal policy, which is squarely within national-level government, plays a huge role.

There's one thing I want to say about all of this.

First of all, I understand why the Bank of Canada set interest rates low and engaged in quantitative easing. Every government did that at the start of the pandemic to kick-start their economy or to keep the economy going. That's super-important, but then you need fiscal policies to protect the most vulnerable. You have your monetary policy. I'm not quibbling with that; I'm not going to take on the central Bank of Canada right now, but I would say we should look at the fiscal policies that could be supporting tenants and at what the national-level government can do in that regard, recognizing that landlord-tenant relations are provincial matters but also recognizing that the federal government has the spending power and can rightly use that spending power.

I mean, the federal government could in fact do something around rent relief for the 250,000 households that are in arrears. It's diddly-squat money in the big picture. It's like $300 million of rental arrears, or something like that. The national-level government gave banks $750 billion to protect mortgages, which I'm not quibbling with either. I want people's mortgages to be protected. I think that's super-important.

I don't think during a pandemic it makes sense to be drawing bright lines, and it seems there's some inconsistency around that. The federal government didn't draw a bright line around health care and what was federal jurisdiction and what was provincial jurisdiction, nor should it have. I wanted my federal government to get in there and get ventilators. Who didn't, right? Similarly, I don't see why they have to draw a bright line with renter households. They didn't with commercial rentals. There's a program, a good program, an important program, for those who can't pay their commercial rent leases, so why is the bright line where renter households—

● (1715)

Ms. Julie Dzerowicz: Ms. Farha, my time has ended.

The Chair: Your time has more than ended.

Ms. Julie Dzerowicz: I just want to say, Mr. Easter, I don't want anybody to think that I was saying, “Well, it's all their fault.” It's a complex issue, and I think we have to appreciate that.

Thank you.

The Chair: Okay, we got that.

We'll go to about four minutes each to Mr. Ste-Marie and Ms. Kwan.

[*Translation*]

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

I will begin by addressing a comment to Ms. Farha.

I am a member of the Bloc Québécois, and my party is committed to the full autonomy of Quebec and the provinces with respect to their jurisdictions. With respect to health care, we are asking the government to do what it did before, which is to fund health care within its means and to let Quebec and the provinces make their own decisions.

When it comes to joint projects, regarding roads and infrastructure, for example, it takes two or three years for a framework agreement to be established, regardless of which party is in power. Then it takes one, two or three years for the project to be implemented. Once the money is voted in, it's a slow process. This is really why we value Quebec and provincial autonomy.

I'll come back to my questions.

Mr. Tremblay, I would like to know your reaction to the measure included in the government's budget with respect to the 1% tax imposed on vacant residential properties owned by foreigners.

Has CMHC looked at this issue? I know that British Columbia is doing this for some areas and the City of Vancouver has adopted this measure.

What does CMHC think this measure can do to help bring down the price of rents, among other things?

Mr. Michel Tremblay: Thank you for the question.

It was the Finance Minister who decided to impose this tax. This will have an impact, but I don't think it will necessarily be significant. If the property is owned by a foreign person or company, but that company or person rents the residence, we don't have a problem with that. We all know that any supply is good.

Of course, the type of housing has to meet the needs and fit the cities' plans, but an investment is not necessarily a negative. In fact, I would say that there are many more Canadian investors, that is, people who have acquired properties and are renting them, than there are foreign investors.

● (1720)

Mr. Gabriel Ste-Marie: Thank you.

If I'm not mistaken, the measure is for vacant housing.

Ms. Farha, did you want to respond to that? I saw that you raised your hand.

[*English*]

Ms. Leilani Farha: I could see that Mr. Kershaw was nodding the same way I was.

I shouldn't speak for Mr. Kershaw, but I agree with what Mr. Tremblay said, which is that I thought this tax was an interesting little move. It was a little thing, just a tinkering. I think it's maybe a bit of a red herring.

I don't think it's going to generate much. Even the government itself said it wouldn't generate that much money over five years—$700 million or something. That's not a lot, and really, I've seen those moves. The government of New Zealand did that, for example. Singapore has a similar thing in place. It's not that effective for curbing the über-commodification or financialization of housing.

As I said in my comments, there are other threats, and they're domestic threats. It's the pension funds and the real estate investment trusts and the big asset management firms that are really putting pressure on renter households. I thought it was interesting, though, because it shows that the government is willing to look at some fiscal policy. It's a beginning of looking at fiscal policy and its implications for the housing prices.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

Mr. Kershaw, did you want to add a comment?

[*English*]

Dr. Paul Kershaw: To learn from B.C., one of the things that the B.C. government does, to contextualize our speculation of vacancy tax here, is to point out that it applies to well under 1% of homes in the province. It is a tool and it should be used, but let's be clear that it's not a particularly large signal to the housing market, as we have a much broader problem of home prices leaving earnings behind.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you very much.

Mr. Chair, I have no further questions.

[*English*]

The Chair: Ms. Kwan, you have about four minutes, followed by Mr. Falk.

Ms. Jenny Kwan: Thank you.

Ms. Farha, you wrote to the government back in March 2020, calling on them to create an acquisition fund to support community housing providers in acquiring properties at risk of being bought up by REITs and large capital funds.

Have you received a response from the government?

Ms. Leilani Farha: I wrote that correspondence in my capacity as United Nations special rapporteur on the right to housing, and no, I did not receive a formal response.

Ms. Jenny Kwan: I see, and we didn't see any action from the government in the upcoming budget with respect to that as well.

Ms. Leilani Farha: Well, wait; actually, I think the rapid housing initiative was somewhat related to that. That is my understanding.

It's not what I had envisioned. I actually thought national level government should....

I actually felt that the government and CMHC should do the acquisitions, and then, because they have the fiscal power—and the know-how, in CMHC's case—they would have this body of public assets and they could then determine what to do with them. They could work with community organizations and figure it out. Not all of them would have to remain public assets, but that was what I had proposed.

No, it's true that I didn't hear back directly on that.

Ms. Jenny Kwan: Right, and what the government did with the RHI does not allow for the acquisition of existing housing. Therefore, it's a bit different in terms of what I'm talking about.

Ms. Leilani Farha: Yes, that's correct. It has to be repurposed.

Ms. Jenny Kwan: Exactly.

As you noted in your presentation, 250,000 rental households are in arrears and at risk of evictions.

Do you think the federal government should develop a national eviction standard that reinforces the right to housing and provides rental supports, as has been done for commercial rent?

Ms. Leilani Farha: There is the National Housing Strategy Act, which says that the federal government's housing policy recognizes that housing is a basic human right as defined under international human rights law and that the government will do what it must to progressively realize that right. I don't see how they can get around not doing something to protect renter households.

I actually put that in the letter of March 2020, right at the beginning of the pandemic. I thought the federal government should have come out very strongly and clearly in calling for an eviction moratorium. They said, “Well, that's provincial jurisdiction.” I still think the federal government could have shown leadership and should still be showing that kind of leadership.

What's happening in this country right now around rental arrears is very scary. Those 250,000 households, you have to understand, are at least 500,000 people. That's many children and that's single mothers. That's indigenous peoples, persons with disabilities, newcomers and refugees. We do not want those people on the streets of Canada or living in cars or parks.

This is very serious stuff, and in light of the pandemic and the health risk to the individual, the family, and then the broader community, I think the federal government has no choice but to do something if they really want to breathe life into the National Housing Strategy Act and their commitment to the right to housing.

● (1725)

The Chair: Jenny, this will be your last question.

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

Yes, and of course to protect people from actually ending up being homeless.

My last question will be for Ms. Zoe and Mr. Mehaffey.

It was shocking in terms of the exchange we heard, and of course we saw the lack of priority from the government in providing the absolutely necessary resources to support indigenous housing, particularly in the urban, rural, remote and northern communities.

One of the issues that has been brought up to the government over and over again is the lack of an urban, rural and northern indigenous housing strategy, for indigenous by indigenous. When you raise this issue, they point to the idea that somehow 40% of the RHI went to indigenous housing, and therefore it's all good.

Could I get you to comment on that and what you need the government to do? Do we need an urban, rural, northern, indigenous strategy, for indigenous by indigenous, for example, and along with it, the necessary funding to back it up so that we can actually see real change in meeting the housing needs?

Mr. Matt Mehaffey: There are a whole bunch of issues, right?

It goes back to previous comments. Significant percentages of these funds do oftentimes make their way to indigenous communities, but the gap is so large and, as you mentioned, if you don't make a meaningful change in the housing stock and the infrastructure that supports it, what happens is that you end up just patching over holes. You're spending all of your resources and all of your capacity basically trying to prevent the problem from getting worse instead of fixing it, and that's the challenge.

From a self-government standpoint, what we would say is that we need a strategy that specifically targets self-governing communities, because, as I said, we have a very different legal context from reserve communities. We often have jurisdiction that extends beyond just our treaty lands and covers our citizens throughout a far broader geographic area. For example, in Yukon, most jurisdiction is for citizens wherever they are in Yukon territory, not just within the community or within treaty lands.

We've started to see some success in working with Crown-Indigenous Relations to collaboratively develop solutions, and I think when it comes.... I can't speak to what the answer is for the on-reserve communities and non-self-governing urban nations, but for the nations that we're working with, I think we need a specific strategy that's collaboratively developed with Canada and the various departments and parties.

The Chair: Thank you all.

We'll go on to Mr. Falk, followed by Mr. Fragiskatos.

Mr. Ted Falk (Provencher, CPC): Thank you, Mr. Chair.

Thank you to all of our witnesses for coming to committee again.

Mr. Kershaw, I'd like to begin with you. I'm looking at the executive summary in your project charter, and there you talk about the playing field being inequitable and uneven.

Can you tell me what you mean by “inequitable”?

● (1730)

Dr. Paul Kershaw: There are a few ways in which the inequitable theme plays out. On the one hand, a range of public policies subsidize homeowners to accumulate wealth, and we don't have the associated corresponding subsidies for renters. That is an inequality in society.

The degree to which we have been recognizing that home prices have been leaving earnings behind and that we've been slow to address that it's a concern or a problem reflects an inequity. We're not keen to tell people who've made gains in their homes that we might want to slow that down because it's hurting their kids and grandchildren. That would be another kind of problem.

Of course, these intergenerational tensions and tensions between owners and renters also intersect with a range of other power dynamics related to class, race, newcomer status, gender and so on. Again, that would be another range of inequalities.

Mr. Ted Falk: I often have discussions with my kids, and I'm always perplexed that they have this assumption that when they leave my home and are no longer under my roof, for some odd reason they can maintain the same lifestyle that I've accustomed them to after being in the workforce for 40 years and accumulating a degree of wealth and income.

Dr. Paul Kershaw: I love this question.

Mr. Ted Falk: I have to remind them that you have to work for some things in life. You shouldn't be able to afford a house of the kind I can afford or drive a car of the kind I can afford to drive. I'm almost getting the sense from the executive summary that you're suggesting there's too big a gap.

Dr. Paul Kershaw: Mr. Falk, this is a great question. I don't think you're reading the executive summary clearly enough, but here are the facts of the matter.

If you're a young person today, you're going to go to school years longer and incur far more student debt than somebody your age did in the past to land jobs that, after you adjust for inflation, pay thousands of dollars less for full-time work, and then you'll face a housing situation in which your rent will be on the rise and your chance to get into the housing market as an owner is even more out of reach.

A typical young Canadian, back when my mom started in the housing system, had to work five years of full-time work to save a 20% down payment on an average-priced home. Now, across Canada, you'd need to work 14 years on average. Of course, it's worse in Ontario and B.C., and worse in Victoria, Toronto and Vancouver.

In other words, Mr. Falk, hard work from your kids does not pay off like it used to, and that is the quintessential issue that we need our public policy-makers to respond to, because we want hard work to pay off like it used to, and we need to adapt policies to help ensure that hard work comes to at least approximate the return it did back in the day.

Your kids definitely have reason to be angry at you when you say those sorts of things, because that dismisses the very harmful economic situation they have inherited by comparison with you.

The Chair: Ted, I tell mine, “You don't need a new washing machine and dryer. Buy a used one like we did.”

Mr. Ted Falk: Exactly. There are lots of options.

Dr. Paul Kershaw: It is not because young people are spending too much on their cellphones, their avocado toast or their coffee that they can't save a down payment for an average home in this country; it's because we've tolerated home prices literally doubling or tripling over the last several decades, and we did that—

Mr. Ted Falk: I'm just about out of time, but I want to get another question in.

The Bank of Canada has targeted 2% as the inflation rate. We know that we're edging towards 3%. We know that these low interest rates are a big cause for an escalation in home prices, which actually compound or quadruple the problem for young folks. What's your comment on the Bank of Canada's monetary policy?

Dr. Paul Kershaw: The Bank of Canada has a primary responsibility to keep inflation in range. We understand that, and to Ms. Farha's observations earlier, we need to create space for them to do it, but we need our governments to then think about how we deflect the collateral damage of that low interest rate policy into the housing system. That's where we need more and more of your attention, and it's going to start, I think, with a review of how StatsCan is actually measuring our CPI and our rate of inflation, and particularly the inflation of owned accommodation.

I really push all of you to go and look at this. It's something the Business Council of British Columbia has been urging for some time. We are downplaying the degree to which home prices are inflating, so we're not capturing that in the 2% or 3% benchmark that you're referring to, Mr. Falk.

● (1735)

The Chair: We have time for one more, Ted, if you want one.

Mr. Ted Falk: Sure.

Ms. Farha, you mentioned that the banks received $750 billion to subsidize their mortgage guarantees. Do you have a breakdown of which banks received how much?

Ms. Leilani Farha: No, I don't, actually, and my point about that goes to Paul's point about the different support we provide to homeowners versus renters.

At the time when I heard that banks were going to be provided with this cushion, I had a mixed reaction as a human rights lawyer.

On the one hand I agreed, because I don't want homeowners to be suffering and not be able to pay their mortgage and then have foreclosure happen. I especially don't want foreclosures of single-family homes, because that makes those homes prey to those institutional investors that I was talking about. We do not want to see in this country what we saw in the U.S. after the 2008 financial crisis, so I thought it was okay. I do think that banks have their own profits and I'm not exactly sure why they couldn't harness their own profits, but whatever, I was pleased to see that the government was moving to ultimately protect homeowners.

The reason I raise that point is that, as I understand it, right now the rental arrears—and my data is a couple of months out of date—amount to somewhere around $300 million, so it's $300 million versus $750 billion, right? That's for renters.

I'm telling you, I work very closely with city officials across this country from about 16 different municipalities—mayors, city councillors and housing departments—and they are very fearful, because they're on the front lines of this situation. They don't want to see an increase in homelessness. They're already having these problems with encampments. They don't know what to do about them. That was my point.

The Chair: Okay. Thank you all for the interesting discussion.

We'll go to Mr. Fragiskatos, followed by Ms. Jansen, and Ms. Koutrakis will wrap up.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Chair, and thank you to the witnesses for their time this afternoon.

Mr. Tremblay, in July of last year, the former CEO of CMHC, Evan Siddall—and he'll be known to our colleagues, as he came to our committee many times—said the following on social media: “The suggestion that @CMHC_ca is funding a study on any tax measure is inaccurate and misleading reporting. We are co-funding a Solution Lab on housing wealth and inequality. We do not control the agenda nor the research base, which is a minor component of the protocol.”

Is that still the position of CMHC?

Mr. Michel Tremblay: Mr. Chair, yes, that is still our position. Again, a solutions lab, by its very nature, doesn't start with a solution but with a housing challenge, and Dr. Kershaw has done a great job over the last two meetings of defining the problem they were looking at.

Mr. Peter Fragiskatos: The ideas generated in the solutions labs are varied, Mr. Chair. A number of these are all available online. There are a number of different focuses. I would point my colleagues to them, and in particular my Conservative colleagues, who seem so fascinated with this particular subject, to use Mr. Kelly's words. Again, they're all online.

The one that stood out to me is called the solutions lab on affordable housing. It was supported by the Greater Ottawa Home Builders' Association, the Ottawa Social Housing Network and SHS Consulting. Among other things, they advise that in order to promote affordable housing, there is a need to allow the private sector to more easily meet the needs of the community. The solutions lab further suggests that there is a need to remove barriers and create new opportunities for innovation in land use planning. If I was looking at those quotes in isolation, I would think they were put forward in the National Post or the Financial Post by Conservative politicians.

I caution my colleagues not to make an issue here and draw in an advocacy group, paint an imaginary line to the federal government and try to turn this committee into some sort of partisan enterprise when we could be focusing on serious things, unless it is indeed the ambition of my colleagues in the Conservative Party to cultivate ties with Mr. Kershaw so he can advise the Conservative Party on housing policy.

Again, they do have a real fascination with it. Mr. Kelly has also said that he agrees with a number of the points that Mr. Kershaw has said. Those discussions can continue, but not at the committee level. This is a non-partisan committee. If the Conservatives want the advice of Mr. Kershaw, that can be explored outside of the committee.

My final question will go to Ms. Farha.

The rapid housing initiative, as you know, Ms. Farha, is something the government invested in last year. It has been renewed now in budget 2021. I have a question on modular housing. This is something that's really been promoted as part of the policy. What do you think about modular housing? Is it something that needs to continue to be pushed forward by the government?

In London, Ontario, where I am, there have been a number of new modular units built. They go up very fast. They help to address affordability challenges. There is a lot of potential here. I'd love to have your thoughts on the record.

● (1740)

Ms. Leilani Farha: To be honest, it's whatever works. If the residents are finding that modular housing is meeting their affordability and security of tenure needs, that's cool. That's what the right to housing is about. It's not really for me to dictate that people have to do this or go down this road or that road. If modular is being built quickly, is affordable and offers good security of tenure, then you're in the door with the right to housing, so of course I would support that.

I think there are a whole lot of things that could be done, though. Modular housing is one. I think there are other things that can be done to ensure that people who really need it are well housed and adequately housed.

I want to give a shout-out to the City of London, which is doing very interesting things to deal with homelessness in particular. It's taking what it calls a compassionate approach, which most cities don't do in this country or around the world. London is doing some really interesting things.

Mr. Peter Fragiskatos: Thank you very much.

The Chair: Thank you both.

Ms. Farha, you're doing well. Peter usually mentions London three times in a meeting. You mentioned it twice.

We'll go to Ms. Jansen, followed by Ms. Koutrakis, and then we might have a minute or two left.

Mrs. Tamara Jansen (Cloverdale—Langley City, CPC): Thank you very much.

Mr. Tremblay, I know the charter between CMHC and Generation Squeeze has been mentioned numerous times. I noticed that in there it states, “There's an inequitable and uneven playing field for younger and older generations in the housing market—one that is hindering current Government of Canada goals to create affordable housing opportunities for...Canadians”.

It goes on to state that a “key source...is tax policy that privileges home ownership, and shelters housing wealth, especially in principal residences”.

Can you understand how, based on these core statements, this project looks tailor-made to find one solution and one solution only, which is a tax on your home value?

Mr. Michel Tremblay: Mr. Chair, I'll reiterate that solutions labs doesn't start with a solution but with a problem that we're trying to solve, or that groups are trying to solve. It brings numerous people together to have discussions, to investigate, to analyze this. Again, it has no predetermined conclusion. I don't know how much clearer I could be.

Mrs. Tamara Jansen: I wonder if you could continue explaining to me. It mentions “a key source”, but it mentions no other key sources.

I live in the Fraser Valley, and we know that government here adds hundreds of thousands of dollars to the costs of new homes by way of zoning regulations, development charges and housing limits. We know here in the Fraser Valley.... I think the C.D. Howe Institute did a study, and they said it adds $644,000 to the cost of a home. I was thinking about Mr. Kershaw's comment that we should be taxing million-dollar homes because those are crazy-valuable homes hiding wealth. Actually, if you take that $644,000 worth of government regulations off, it's a $350,000 home.

When you mentioned “key sources”, would you agree that government red tape is a massive problem that's causing a rise in housing prices, besides, as you say, monetary policy?

Mr. Michel Tremblay: Mr. Chair, there are obviously a lot of costs involved in housing. In B.C., in the greater Vancouver area, for example, land is a critical cost as well. It makes up to 80% of the cost of a housing unit. As we encourage supply and reduce red tape, it will certainly, first of all, increase supply and eventually reduce prices.

I would say there's a dichotomy there, where certain cities in the B.C. area have a lot of development charges and so forth because they do not want to raise property taxes of existing homeowners. They needed to find a different source of revenue. Unfortunately, they've decided to tax new supply more than other areas of the country.

● (1745)

Mrs. Tamara Jansen: I was looking at Canada's situation in regard to permits, and I noticed that it takes 250 days to get a permit in Canada. That's three times longer than our competitors in the U.S., where it takes 168 days. We're also, I think, 35th of OECD countries in being able to get project approvals in a timely fashion.

Again, on the idea that we're sheltering wealth and doing a study on that and the idea of taxing a million-dollar home, rather than tackling the fact that red tape is truly getting in the way of our being able to ensure that we work on housing affordability, Mr. Tremblay, would you comment?

Mr. Michel Tremblay: Mr. Chair, again, this is only one solutions lab. As was mentioned, we have other solutions labs. We do have other research projects as well as other conversations with other parties. The federal government, the provincial governments, municipal governments, the private sector and non-profits all need to push together towards affordability. The federal government can't do it alone. Municipalities can't do it alone. Non-profits can't do it alone. I think we all have to work together.

I'm not disputing any of what's been said here.

The Chair: Mr. Kershaw wanted in on this one, and then we'll come back to you.

Mrs. Tamara Jansen: Could he go on the end, because I do have one more question for Mr. Tremblay from CMHC?

The Chair: Okay. We'll let him in on the end. Go ahead.

Mrs. Tamara Jansen: Thank you.

Audrey-Anne Coulombe, a spokeswoman, was quoted as saying, “The objective is to identify solutions that could level the playing field between renters and owners.”

Unfortunately, these sorts of statements don't acknowledge that homeowners pay a huge portion of their income in taxes to three levels of government before they can even save for a down payment. There's no acknowledgement of the cost of owning a home, such as maintenance, repairs and insurance, let alone any renovations that enhance the value of the property.

Do you think Canadians who take on the risk and responsibility of home ownership should be penalized for doing all that hard work?

Mr. Michel Tremblay: Mr. Chair, I do not think that.

Mrs. Tamara Jansen: Excellent.

Mr. Michel Tremblay: If Canadians think that housing is an investment, we do not have a lot of other vehicles in Canada whereby we permit somebody to buy a house with 5% down and be able to.... Yes, there are other costs for sure. I don't dispute any of that. It's just that we can't dispute that there's an imbalance as well in terms of tax treatment for renters versus homeowners.

The Chair: Okay.

Mr. Kershaw, I said I'd let you in. You might want to comment on a couple of those questions.

Dr. Paul Kershaw: Yes. I'll work in reverse order.

If we're wanting to think about the ways in which homeowners work hard to buy their homes, that's absolutely correct. Do they pay into three levels of government in their taxes? That's absolutely correct, but so do renters. They also pay their taxes to three levels of government. They work hard to pay for their rental homes. What we don't have for renters is the equivalent of a homebuyer's tax incentive or a homebuyer's tax credit or tax-sheltered RRSP deductions you can use to pay for your down payment. You can't use that for your rent.

I would definitely encourage you, Ms. Jansen and the Conservative Party, if you're looking to get a briefing note on the ways in which we subsidize homeowners over renters, that a range of people, myself included, could help you better understand that problem area.

If you want to characterize CMHC as somehow being singularly focused on funding a study to look at taxation issues, I invite you to ask Monsieur Tremblay to tell you how much money they put into the supply challenge and how much money they put into other parts of the research area related to supply. It would make the money going into this particular solutions lab a rounding error. To suggest that somehow CMHC has become this meta-entity investing in research about taxation wildly mis-characterizes how CMHC is using its budget.

The Chair: We will have to end that round there.

We'll go to Ms. Koutrakis.

● (1750)

Ms. Annie Koutrakis (Vimy, Lib.): Thank you, Mr. Chair.

Thank you, everyone, for your very interesting testimony and great conversation this afternoon.

I will continue with the CMHC and the national housing strategy and solutions lab, as there seems to be a lot of interest here this afternoon.

Mr. Tremblay, from what I see, there seems to be a misunderstanding around the purpose of CMHC solutions labs and their relationship with federal government policy. Can I ask you to outline exactly what solutions labs are? Can I also ask you to provide an overview of some of the other projects and organizations that you've dealt with through this program and that have been approved through solutions labs?

Mr. Michel Tremblay: Again, a solutions lab is meant to start with a housing challenge that we're trying to get some insight on. From there, participants are invited from various sectors. In the case of Dr. Kershaw, as he mentioned, we invited builders and developers and so forth, but in other cases, it could be non-profits. It could be front-facing people if we're dealing with issues with shelters for victims of family violence, for example. It brings all walks of life. From there it looks for solutions. In this case, we're talking potential policy recommendations, but it could be a new technology or it could be a best practice in various things. I don't have all the details of participants in all the labs, but I invite you to look all of our solutions labs on our website, the ones we've funded.

I'll also say that housing affordability is a big challenge. I don't think we should discourage innovative thinking. I don't think we should discourage discourse. Actually, we should encourage it. That is first and foremost one of the big goals of the solutions lab.

Ms. Annie Koutrakis: Mr. Tremblay, you might have started your testimony with this, but I think it merits going on record again. Has the federal government requested a study from the CMHC on a home equity tax?

Mr. Michel Tremblay: No, it has not.

Ms. Annie Koutrakis: You did confirm earlier in your testimony that the Government of Canada does not seek any policy advice from the CMHC. Is that correct?

Mr. Michel Tremblay: It will not seek tax advice from CMHC. It will seek advice on housing programs and so forth.

Ms. Annie Koutrakis: Okay.

Do I have time for one more?

The Chair: You have time for one more. Then Jenny has a quick question.

Ed Fast or Ted Falk, do you have a quick question that you want to raise as well? Think about it. In the meantime, I'll go to Jenny after Annie. Then we're going to cut out.

Hon. Ed Fast: Mr. Chair, it will be Mr. Kelly who's asking another question.?

The Chair: Okay. Following Annie, we'll go to Jenny, and then Mr. Kelly will wrap it up.

Go ahead.

Ms. Annie Koutrakis: Thank you, Mr. Chair.

Mr. Kershaw, in response to the fall economic statement, your organization commented on the strong language to support child care. In budget 2021 we've proposed a $30-billion investment over five years, with $8.3 billion ongoing to support affordable child care and early learning in Canada.

Can you share some of your thoughts on this investment and discuss the impact it could have on child care affordability in Canada? Could you also offer some comment on what it would do to labour force participation and economic growth more broadly?

Dr. Paul Kershaw: It truly is an historic investment. We've never seen this scale of investment in child care from a national government. It has been a long time in the waiting. Decades ago the recommendation was made, so kudos to this particular government and to our first female finance minister, in addition to the feminist cabinet, for pulling that off.

It is a massive win that will ease the squeeze on the generation raising young kids. It will be easier for them to deal with higher housing costs now that we are putting in a real plan to ensure that child care never again costs another rent or mortgage-sized payment. It will take us a while to get there, but the dollars that are on the table are real, and when matched with a contribution from provinces outside of Quebec—Quebec is already a key leader—we are going to see something really exciting. It will absolutely improve labour force participation for women generally and for parents as well, more generally, and it will be a big part of our building back better and stimulating the right kind of economic growth.

● (1755)

The Chair: We have to go to Ms. Kwan and then we will wrap it up with Mr. Kelly.

Ms. Jenny Kwan: Thank you.

The national housing strategy aims to create between 150,000 and160,000 units of new affordable housing over 10 years, much of which, some would argue, would not really target those experiencing homelessness or of core need.

With that said, to have a fighting chance at ending homelessness and addressing housing need, the CAEH has said that Canada will need to build at least 300,000 new deep-subsidy, permanently affordable and supportive housing units to ensure that those units are specifically prioritized to those experiencing homelessness or at risk of homelessness.

In light of this analysis from housing advocates, I wonder if I can ask the CMHC and Ms. Farha for comments on how we are going to ensure that the government will meet its promise and commitment to adequate housing's being a basic human right when we're so far behind with what is being put on offer with the national housing strategy.

The Chair: We will start with Mr. Tremblay and then go to Ms. Farha.

Mr. Michel Tremblay: Thank you, Mr. Chair.

For the government, the national housing strategy was the first big stride in terms of our UN commitment to a progressive realization of a right to housing. Then there was the National Housing Strategy Act, which enacted some participatory mechanisms, such as the national housing council and the federal housing advocate. Those are key steps to a progressive realization.

As well, the government in the national housing strategy has been clear that we can't do this alone, that the federal government cannot do this alone. We are looking, as I mentioned, for others to participate to help us through this. Whether through the private sector, the provinces or the municipalities, it is a collective effort that will get us there. The governments, through six successive budgets, have put money into housing, so they are progressively realizing a right to housing.

The Chair: Ms. Farha, give a fairly tight answer, if you could, so that we can get one more question in.

Ms. Leilani Farha: I would just say that I'm deeply concerned and that I don't think that Canada is yet on the path to dealing with the deeply affordable housing needs and social housing needs. The rental housing finance initiative is about 40% of the national housing strategy budget, and it's just not good enough. The affordable units are really not deeply affordable for the people who are most in need, and then they only have to be affordable for 10 years. They should be affordable in perpetuity.

There are some advances that the CMHC can make and changes to those programs that would benefit the country.

The Chair: Mr. Kelly, you can ask the last question.

Mr. Pat Kelly: Thanks.

I want to just go right back to where I was with Dr. Kershaw, talking about getting into interest rate policy, monetary policy and what that has meant during a pandemic, during a time of economic contraction when the price of real estate across the country, the national average, is up 30% year over year or something like that. It defies explanation other than monetary policy being primarily what creates incentive for every type and every level of homebuyer to bid up prices.

Could you comment on how we see asset prices rising even as economic activity shrinks and incomes for working people remain stagnant?

The Chair: Dr. Kershaw, could you hold that answer to a minute? We have a three-hour briefing on the Budget Implementation Act that starts in about a minute.

Go ahead.

Dr. Paul Kershaw: One can't do justice to that question in 60 seconds, but the long and the short of it is that solutions-wise, we need to be encouraging more lending outside of real estate. Then we need to be encouraging lending that is within real estate to be homing in on co-op and affordable purpose-built rental housing, and we need to invite Statistics Canada to rethink how it's measuring the inflation of housing as it's calculating CPI.

Those three things are critical to address some of the worries you're raising, and you're right to be worried about them.

The Chair: Okay. Thank you very much for holding that answer tight.

Thank you to all the witnesses. We had a really good wide-ranging discussion, even with a bit of politics thrown in. It was, I think, a very good discussion, with a lot of information that we can glean from that panel.

With that, thank you to all the witnesses once again, and we'll see finance committee members at the briefing in less than a minute.

The meeting is adjourned.