



CUPE

Canadian Union of Public Employees

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

May 26, 2023

The Canadian Union of Public Employees (CUPE) is Canada's largest union, with 715,000 members across the country. CUPE represents workers in health care, emergency services, education, early learning and child care, municipalities, social services, libraries, utilities, transportation, airlines and more.

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Our members include workers at publicly owned housing corporations, homeless shelters, long-term care homes and other social and health care services who are at the frontlines of dealing with the housing crisis.

Our members see, every day, the toll that the housing crisis is taking on our communities.

What our members see most clearly is that there is a solution to the crisis, and that solution requires governments to step into the housing market more significantly than it has in decades.¹

For far too long, predatory, and speculative investors have been allowed to gamble with housing in Canada. In markets like Vancouver and Toronto, this has played out for decades. Now, communities in Atlantic Canada, the prairies and even in rural Canada are feeling the impact of such investor activity.

In New Brunswick, for example, a 2021 report² by the New Brunswick Coalition for Tenants Rights noted that just one Real Estate Investment Trust (REIT) – Killam – planned to “reposition” 1,300 affordable units into income-generating assets for shareholders in just one year. In that same year, the province of New Brunswick’s housing plan aimed to build 1,262 affordable housing units in a *decade*.³ The Coalition’s most recent analysis showed that the province lost more than 8,000 affordable units over five years.⁴

This is happening across the country, not just in New Brunswick. One study found that for every unit of affordable housing created in Canada, 15 were lost between 2011 and 2016.⁵ Meanwhile, there has been a steady growth in the share of the housing market controlled by those seeking to profit from the control and trade of housing assets. This is not a coincidence – this is financialization.⁶

¹ The federal government built thousands of units annually in partnership with provinces for decades until the 1990s. There was non-partisan support for the idea that the government must play a significant role in the building of housing. For an authoritative discussion of the history of Canadian housing policy, see Greg Suttor, *Still Renovating: A history of Canadian social housing policy*, (Montreal & Kingston: McGill-Queen’s University Press, 2016).

² Matthew Hayes, “New challenges in New Brunswick’s rental market: REITs and corporate landlords in New Brunswick and what we can do about it,” April 2021, online: <https://www.nbtenants.ca/reits-and-new-brunswick>.

³ *Ibid*, page 4.

⁴ Silas Brown, “NB lost more than 8,000 affordable housing units in 5 years: report,” Global News, 2 May 2023. Online: <https://globalnews.ca/news/9667977/n-b-affordable-housing-report-may-2023/>.

⁵ Steve Pomeroy, “Why Canada needs a non-market rental acquisition strategy,” May 2020, online: <https://www.focus-consult.com/why-canada-needs-a-non-market-rental-acquisition-strategy/>.

⁶ Martine August, “The financialization of multi-family rental housing in Canada: A report for the Office of the Federal Housing Advocate,” The Office of the Federal Housing Advocate, June 2022. Online: <https://www.homelesshub.ca/sites/default/files/attachments/august-financialization-rental-housing-ofha-en.pdf>.

Experts across Canada and internationally are in agreement – financialization of housing is a root cause of the housing crisis. Financialization is the practice of treating housing fundamentally as a commodity to be traded and profited from, rather than a right to be guaranteed.⁷ Indeed, recent reports show that investors own between 20% to 30% of housing in some provinces.⁸

Overseas, financialization has been wreaking havoc in communities. For example, Blackstone, the world’s largest asset management company with nearly US \$1 trillion under management, has been accused by international experts of numerous efforts to undermine the right to housing around the world.⁹

Blackstone is active in Canada as well, with \$14 billion in real estate assets as of 2022.¹⁰ Their Toronto office is headed by the former Chief Investment Officer of Revera.¹¹

Recommendation 1: Close tax loopholes for Real Estate Investment Trusts (REITs)

CUPE joins ACORN¹² and other housing advocates sounding the alarm over REITs and corporate landlords. The federal government must act immediately to close the tax loophole that allows REITs to operate without paying any corporate taxes.

A PBO report found that estimates for this lost revenue could range from \$285 million to \$566 million over four years.¹³ ACORN estimates that CAPREIT, one of Canada’s largest REITs, would have paid over \$425 million in taxes since 2010 if they were taxed.¹⁴ This is money that could have been spent on creating affordable housing.

⁷ Adapted from remarks by Leilani Farha, former UN special rapporteur on the right to adequate housing. Online: <https://www.ohchr.org/en/special-procedures/sr-housing/financialization-housing>.

⁸ The Canadian Press, “Investors owned 20 to 30% of homes in some provinces in 2020: StatCan,” Global News, 3 February 2023, online: <https://globalnews.ca/news/9458700/real-estate-investors-canada/>

⁹ Surya Deva and Leilani Farha, Communication to Blackstone CEO Stephen Schwartzman, 22 March 2019, Ref: OL OTH 17/2019. Retrieved from *Make the Shift*, online: <https://www.make-the-shift.org/wp-content/uploads/2020/04/22032019.pdf>. The letter notes concerning accounts of the company’s activities in the United States, the Czech Republic, Denmark, Germany, Spain, and Sweden.

¹⁰ Blackstone, “Blackstone real estate expands presence in Canada with new office led by Janice Lin,” 9 May 2022, online: <https://www.blackstone.com/news/press/blackstone-real-estate-expands-presence-in-canada-with-new-office-led-by-janice-lin/>.

¹¹ *Ibid.* CUPE has long sounded the alarm about Revera’s disastrous decisions to transfer operational management of long-term care homes to for profit companies, even though for-profit companies saw almost double the average death rate of non-profit care homes, and almost five times higher than public long-term care homes during the pandemic. See CUPE, “Revera and Extencicare’s corporate shell game hurts long-term care residents and workers,” 9 March 2022, online: <https://cupe.ca/revera-and-extencicare-corporate-shell-game-hurts-long-term-care-residents-and-workers>.

¹² ACORN Canada, “Rein in the REITs,” 3 February 2021, online: <https://acorncanada.org/news/rein-reits/>.

¹³ Eskandar Elmarzougui, “Cost of removing the tax exemptions for Real Estate Investment Trusts,” Office of the Parliamentary Budget Officer, 3 April 2023. Online: <https://www.pbo-dpb.ca/en/publications/RP-2324-001-M--cost-removing-tax-exemptions-real-estate-investment-trusts--estimation-couts-elimination-exemptions-fiscales-accordees-fiducies-placement-immobilier>.

¹⁴ ACORN Canada, *supra* note 12.

Recommendation 2: Require a right to housing framework in the National Housing Strategy

Parliament passed the *National Housing Strategy Act*¹⁵ in 2019, recognizing the right to adequate housing. The *Act* was passed two years after the National Housing Strategy (NHS) was adopted, itself a historic federal investment in housing in a generation. The Strategy, however, was never brought in line to be compliant with the right to adequate housing as outlined in the *Act*. Instead, the Strategy continues to be criticized for not monitoring whether it is meeting its targets,¹⁶ adopting conflicting definitions of affordability,¹⁷ and primarily supporting profitable companies to build largely unaffordable housing.¹⁸

A national housing strategy that is aligned with the right to housing would require that the money spent must advance and protect the right to housing. NHS programming that does not advance or protect the right to housing would not be considered fit for purpose.

Such an approach could mean using federal spending powers to require provinces to enact minimum tenant protections before provinces and municipalities can access NHS funds. It could also mean diverting funds from for-profit companies to non-profit, co-operative, and public housing. After all, public, non-profit and co-operative housing can provide permanently affordable, high-quality housing. A recent report by the Co-operative Housing Federation of Canada showed that in some cases co-op rents were 40-50% below market rate.¹⁹

Recommendation 3: Prioritize non-market housing

CUPE believes that public money should only be spent in the public interest. In the housing context, that means significant investment in public, non-profit and co-operative housing, rather than continued subsidization of private interests in the sector.

¹⁵ *National Housing Strategy Act*, SC 2019, c29, s313. Online: <https://laws-lois.justice.gc.ca/eng/acts/n-11.2/FullText.html>.

¹⁶ Auditor General of Canada, "Chronic Homelessness," Reports 5 to 8 of the Auditor General of Canada to the Parliament of Canada, 2022, online: https://www.oag-bvg.gc.ca/internet/English/parl_oag_202211_05_e_44151.html. The report found that the Government of Canada did not know whether it was meeting its targets under the Strategy.

¹⁷ Carleigh Busby and Lisa Barkova, "Federal Program Spending on Housing in 2022," Office of the Parliamentary Budget Officer, 15 February 2023. Online: <https://www.pbo-dpb.ca/en/publications/RP-2223-023-S--federal-program-spending-housing-in-2022--depenses-federales-programmes-consacrees-logement-2022>. The website notes: "Across specific programs, there is no standard definition of affordability. Certain definitions can lead to the construction of units presented as 'affordable', but which in reality may require households to devote more than 30 per cent of their income to housing."

¹⁸ 88% of loans from the Rental Construction Finance Initiative went to for-profit developers. See Marc Lee, "What happened to the National Housing Strategy?" Policy Note, 1 March 2022. Online: <https://www.policynote.ca/national-housing-strategy/>.

¹⁹ Greg Suttor, Chidom Odogwu and Nick Falvo, "The Co-op difference: Comparing co-op and market rents in five Canadian cities," Co-operative Housing Federation of Canada, July 2022. Online: <https://chfcanada.coop/wp-content/uploads/2022/11/The-Co-op-Difference-report.pdf>.

Advocates have called for an acquisition fund to help non-profit organizations and co-operatives acquire properties that go on the market. This is an idea that is finding support among REITs as well.²⁰ However, it is important to ensure that any acquisition fund is accompanied by rules and guidelines that protect the public interest. Otherwise, there is a risk that such a fund will operate, effectively, as a public subsidy for REITs to download mismanaged buildings onto the community housing sector.

This also means ensuring public investments outside of the NHS do not support speculative and predatory investors in the housing sector. CUPE has raised the alarm about the Canada Infrastructure Bank's financial support for the Dream Group of Companies, owned by Blackstone, to retrofit their properties which include REITs – amounting to yet another public subsidy for a corporate giant,²¹ despite serious concerns raised by UN experts about the company's record on housing rights.²²

Conclusion

CUPE notes that Canada has an obligation to implement the right to adequate housing as a party to the *International Covenant on Economic, Cultural and Social Rights*.²³ The *National Housing Strategy Act* is an important step forward in implementing this right, but it cannot stop there. The Supreme Court of Canada has been clear – international legal obligations are “not meant to be theoretical aspirations or legal luxuries, but moral imperatives and legal necessities.”²⁴

Implementing the right to adequate housing means taking meaningful action to address threats and barriers to the realization of that right. One of the most significant threats to adequate and affordable housing today is financialization. Protecting the right to housing must begin with addressing financialization to ensure that the important work the government undertakes is not immediately undone by predatory and speculative investors.

The federal government can take immediate steps to address this: tax REITs, align the National Housing Strategy with the right to housing, and ensure public money is only spent in the public interest.

There is simply no public policy justification to subsidize private profit, especially when public, non-profit and co-operative housing provide permanent affordability.

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²⁰ See Rental Housing Providers for Affordable Housing, “Solutions,” online: <https://foraffordable.ca/solutions>. This is a group of Canada's five largest publicly traded REITs.

²¹ CUPE, “Submission for the 5-year statutory review of the Canada Infrastructure Bank,” March 2023. Online: https://cupe.ca/sites/default/files/submission_cib_review_2023-03-1.pdf, page 3.

²² Surya Deva and Leilani Farha, *supra* note 9.

²³ *International Covenant on Economic, Social and Cultural Rights*, 19 December 1966, 993 U.N.T.S. 3, Can. T.S. 1976 No. 46, 6 I.L.M. 360 (entered into force 3 January 1976) [ICESCR].

²⁴ *Nevsun Resources v Araya*, 2020 SCC 5, online: <https://decisions.scc-csc.ca/scc-csc/scc-csc/en/item/18169/index.do>.