

The Holy Grail: Accelerating Housing Supply and Affordability by Improving the Land-use Planning System



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Executive Summary

The goal of the Canada-British Columbia Expert Panel on the Future of Housing Supply and Affordability ("Expert Panel"), established in September of 2019, was to provide actionable solutions for improving affordability by increasing market and non-market housing supply, whether for rent or homeownership. Its final report, released in June 2021, presents compelling policy recommendations to create a land-use planning framework that proactively encourages housing.

Current challenges resulting from problems with B.C.'s existing land use planning system as identified by the Expert Panel include:

- It takes too long to navigate the development process;
- The re-zoning process can be difficult and amplifies the voices of a few rather than the needs of the community at large; and
- Demographic forecasts for future growth have persistently underestimated the housing supply needed to improve affordability.

These challenges are also found in Ontario, particularly in the region centred on Toronto – the Greater Toronto and Hamilton Area ("GTHA").

This paper highlights the planning conclusions and recommendations of the Expert Panel, discusses them through a GTHA lens and provides guidance to expedite the supply and affordability of housing in the region based upon the Expert Panel's recommendations.

Broken down by each challenge identified by the report, this paper presents recommendations formulated by its authors to apply to the GTHA region.

Expert Panel challenge: It takes too long to navigate the development process

Clayton/Amborski GTHA recommendations

- The Province of Ontario should quickly rectify the violations of its existing maximum timelines for municipal decisions on applications for official plan amendments, zoning by-law amendments and subdivision plans. Furthermore, it should expand these timelines to include other stages of the development process, such as site plan and building permit approvals. Lastly, fast-tracking of violation appeals to the "front of the line" of cases presented to the Ontario Land Tribunal are recommended.
- The Province should establish a digital land and development application platform for monitoring the progress of land and development applications and implement a system for expediting these applications that all GTHA municipalities must follow.
- The Province should ensure municipalities update their zoning by-laws to support and implement their official plans soon after they are updated.
- The Province should require municipalities to pre-zone large areas for residential development in both the built-up and greenfield areas, or implement a development permit system.
- The federal and provincial governments should strategically deploy infrastructure funds to support greater densities and a variety of dwelling types in municipalities. For example, they could provide funding on an incentive basis to municipalities that change zoning regulations in single-detached neighbourhoods to permit "missing middle" housing forms (e.g., secondary suites, townhouses, stacked townhouses and other low-rise apartment formats).

Expert Panel challenge: The re-zoning process amplifies the voices of a few rather than the needs of the community at large

Clayton/Amborski GTHA recommendation

- All public participation should occur earlier in the planning process than when re-zoning applications for particular sites are submitted. Uses and densities consistent with the provisions of the official plan for specified areas should be in place through the pre-zoning process or the use of a development permit system.
- Municipal councils should be required to consider the community-wide benefits of expanded housing supply in their decisions on re-zoning applications for individual sites as a counter to local opposition.

Expert Panel challenge: Future housing needs forecasts based only upon demographics underestimate the housing supply needed to improve affordability

Clayton/Amborski GTHA recommendation

- The Province's land needs assessment methodology should make it an explicit requirement that municipalities include estimates of future replacement demand within the existing housing stock (demolitions less net conversions) and a vacancy allowance in addition to household growth.
- The methodology should also require municipalities to incorporate an "affordability adjustment" when calculating future housing needs to account for past undersupply.

Implementation of these recommendations will expedite applications through the approvals process in the GTHA, resulting in more housing coming onto the market more quickly. Overall, housing affordability will improve due to the increased expedited supply of housing.

Introduction

There is a growing consensus that a primary reason for high and rising housing prices in the Greater Toronto and Hamilton Area ("GTHA") is the unresponsiveness of the existing land use planning system to the region's growing housing needs. We cannot produce affordable housing without an ample supply of approved, serviced sites in built-up and greenfield areas, the provision of which is the responsibility of municipalities in the region. CMHC, in a 2018 landmark study, examined the responsiveness of new housing supply to increases in housing prices in several Canadian metropolitan areas. The study concluded that the land use planning regulatory system in the GTHA and metropolitan Vancouver is a significant factor behind the weak response of housing supply to demand and rising prices in these metropolitan areas.¹

In response to the worsening housing affordability for owners and renters in B.C., the governments of Canada and B.C. established the Canada-British Columbia Expert Panel on the Future of Housing Supply and Affordability ("Expert Panel") in September 2019. Its objective was to develop actionable comprehensive policy recommendations to improve affordability by increasing the supply of market and non-market housing, whether for rent or homeownership.²

We agree with the Expert Panel's final report (June 2021) that local governments have many of the most effective policy levers to increase the housing supply. However, as local governments face political barriers in addressing the affordability challenges, it is up to the provincial

1 CMHC (2018). "Examining Escalating House Prices in Large Canadian Metropolitan Centres." [Online]. Available: <https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-research/research-reports/housing-finance/examining-escalating-house-prices-in-large-canadian-metropolitan-centres>, 6-7.

2 Canada-British Columbia Expert Panel on the Future of Housing Supply and Affordability (2021). "Opening Doors: Unlocking Housing Supply for Affordability, Final Report." [Online] Available: https://engage.gov.bc.ca/app/uploads/sites/588/2021/06/Opening-Doors_BC-Expert-Panel_Final-Report_Jun16.pdf, 21.

government to compel local governments to increase the housing supply.³

This paper highlights the planning challenges identified by the Expert Panel and its conclusions and recommendations under the thematic category of Creating a Planning Framework that Proactively Encourages Housing.⁴ These can also be seen to apply to the affordability predicament in the GTHA.

Frank Clayton and David Amborski, researchers at the Centre for Urban Research and Land Development ("CUR"), comment on these challenges from a GTHA lens. Based on the Expert Panel's work, they also provide their recommendations to increase and expedite the GTHA housing supply through reforming the land use planning process, thereby helping to improve housing affordability.

Challenge 1: It takes too long to navigate the development process

The Expert Panel says:

- Delays, revisions, additional steps, and stalled negotiations lengthen the development process and impede for-profit and non-profit developers' ability to make additional homes available.
- There are no comprehensive, comparable datasets featuring local government approval timelines or project and their evolution over time.
- The Panel looks favourably on procedures in Ontario and Alberta, provinces with maximum development approval timelines on various types and stages of development applications. Still, the maximum time limits are shorter in Alberta than in Ontario.

3 Canada-British Columbia Expert Panel on the Future of Housing Supply and Affordability (2021). "Opening Doors: Unlocking Housing Supply for Affordability," 24.

4 The Expert Panel lists four current challenges to increasing housing affordability. One of the challenges, the fact that many proposals never make it to the formal application stage, was not regarded as a significant issue in the GTHA and thus is not addressed in this report.

The Expert Panel recommends:

- The B.C. government impose statutory time limits to all stages of the property development process, municipal or other, for all types of development;
- The B.C. government should require all local governments to proactively update and orient zoning bylaws and infrastructure planning to reflect official community plans, as widely and rapidly as possible;
- The B.C. government impose minimum density requirements and sufficient pre-zoned sites for the development of market and non-market housing around provincially funded transit infrastructure;
- Federal and provincial governments make new infrastructure investments conditional on official community plans, zoning by-laws, and other local policies to allow for increased densities and a mix of housing types; and
- The B.C. government develop a province-wide digital development permitting system designed to meet local government and industry needs in a streamlined and cost-efficient fashion.

Clayton/Amborski comments: Challenge 1

1. The planning process in the GTHA is also lengthy, uncertain, and costly for the proponents of new housing developments. As seen, several studies have addressed the long times between development applications and the start of construction:

- A recent study for the Canadian Home Builders' Association measured the average time in the city of Toronto for approvals of projects requiring multiple applications (e.g., official plan and zoning amendments) at 58 months. This estimate excludes pre-submission time or the time from building permit application to issuance (an average of 662 days for apartment buildings).⁵

5 Altus Group (2020). "BUILD Municipal Benchmarking Study, 2020." [Online]. Available: https://www.ryerson.ca/content/dam/centre-urban-research-land-development/pdfs/BUILD_Municipal_Benchmarking_Study_Sept_2020.pdf, 26-34.

- For greenfield lands, it can take more than ten years from the time new lands are designated in an official plan until the lands are ready for development, according to a recent York Region report.⁶
- A report by the Residential Construction Council of Ontario recommending the streamlining the development approvals process in Ontario found that it takes an average of 180 days to obtain a site plan approval.⁷

2. As in B.C., there is no comprehensive database documenting municipality approval timelines or projects by approval phase, which is needed. The lack of consistent, comprehensive data on the status of land availability and planning applications and approvals from the municipalities in the GTHA is startling. One example:

- A June 2015 study by CUR researchers found that most municipalities in the region did not monitor their short-term residential land supplies by dwelling type in build-up and greenfield areas, contrary to the Province's Provincial Policy Statement requirements, in effect since the early 1990s.⁸ This spottiness in the availability of data on the short-term land supply remains today.

3. The effectiveness of Ontario's maximum time limits for municipalities on official plan amendments, subdivision applications and re-zoning applications as noted by the Expert

⁶ York Region (2021). "Proposed 2051 Forecast and Land Needs Assessment." [Online]. Available: https://yorkpublishing.escribemeetings.com/filestream.ashx?DocumentId=20345_9

⁷ RESCON (2020). "Streamlining the Development Approvals Process in Ontario, Modernizing, Digitizing, and E-permitting." [Online] Available: <https://rescon.com/reports/files/Nov-27-2020-Streamlining-the-development-approvals-system-in-Ontario.pdf>, 2.

⁸ Clayton, Frank (2015). "Why There is a Shortage of New Ground-Related Housing in the GTA." CUR. [Online] Available: https://www.ryerson.ca/content/dam/centre-urban-research-land-development/images/CUR_PC%234_Shortage_New_Ground-Related_Housing_June1%2C%202015.pdf, 1.

Panel is not what it seems on the surface. While Ontario does have legislated review timelines for municipalities to make decisions to accept or deny the applications above:

- In cases where a municipality does not make a timely decision, an applicant must file an appeal to the Ontario Land Tribunal. The appeal process can be costly and drawn-out unless the appeal is moved to the front of the line by the Tribunal.
- Essential steps in the approval process are not covered by the legislated timelines, e.g., site planning approvals and applications for building permits.

4. There is a pressing need in the GTHA for zoning-by-laws to be updated as soon as possible after official plans have been approved:

- The city of Toronto is notorious for its outdated zoning-by-laws, thus requiring re-zonings for most applications for higher density development permitted under the city's official plan.

Clayton/Amborski comments: Expert Panel recommendations

The recommendations generally apply to Ontario as well as measures to encourage new housing proactively:

- A way should be found to get a quicker decision on municipal violations of the maximum time limits and penalties imposed for municipalities persistently in violation. Fast-tracking and prioritizing these appeal applications to the front of the line by the Ontario Land Tribunal is a way of getting quicker action on accelerating municipal decisions. The approvals covered by the legislated timelines should be expanded to cover all facets of the approval process in Ontario, including site planning and building permit approvals.
- There is a need for the Province to establish a digital land and development application platform for all municipalities in the GTHA. There should be a minimum provision

of land and planning phase and timing information to monitor progress, and it should be comparable across municipalities. Municipalities can include additional information for their own needs, but a core uniform information set should be required.

- Updating zoning by-laws to reflect the densities and land uses in the official plans should be done within a reasonable timeframe after approval.
- A greater reliance on the pre-zoning of sites or implementing a development permit system. The Province is moving in this direction with its Growth Plan policies for major transit station areas.⁹ This will expedite site availability for new housing development.
- Similarly, the strategic deployment of infrastructure funds by senior levels of government to support greater densities and various dwelling types near transit stations and other appropriate locations should be pursued.

Challenge 2: The re-zoning process can be difficult and amplifies the voices of a few rather than the needs of the community at large

The Expert Panel says:

The re-zoning process, especially for larger projects, can take many years and be a fraught process due to lengthy public hearings and competing policy objectives. The Expert Panel asserts that:

1. There should be a reduced reliance on site-by-site public hearings and council approvals that delay homebuilding and amplify the voices of groups opposing new housing at the expense of city-wide objectives and affordability.

⁹ Ontario, Ministry of Municipal Affairs and Housing (2020). "A Place to Grow: Growth Plan for the Greater Golden Horseshoe, Office Consolidation, 2020." [Online]. Available: <https://files.ontario.ca/mmah-place-to-growoffice-consolidation-en-2020-08-28.pdf>, 17-19.

2. The Expert Panel looked favourably at the ideas presented in a 2019 report by the B.C. Ministry of Municipal Affairs and Housing, entitled "Development Approvals Process Review".¹⁰

The Expert Panel recommends:

The B.C. government and local governments implement the following ideas presented in the Development Approvals Process Review report:

- Provincial review of public hearings and consideration of alternative options for more meaningful, earlier public input and in different formats;
- Provincial policy review of official community plans with respect to development approvals – adoption process, update requirements, recommended levels of detail, streamlining process for minor amendments; and
- Provincial policy review to consider tying development approvals to housing targets.

Clayton/Amborski comments: Challenge 2

We agree that the nature of public participation in responding to development applications, whether for redevelopment in existing urban areas or greenfield development, in most cases does not reflect the benefits to the community from the new housing. As a result, there is a need to reduce opponents' role in responding to development applications and focusing on community-wide benefits. In addition, instead of site-by-site public participation, there is a need to move the public participation to the beginning of the zoning process when considering pre-zoning for large areas or through the approval of a development permit system.¹¹

¹⁰ B.C. Ministry of Municipal Affairs and Housing (2019) "Development Approvals Process Review: Final Report from a Province-wide Stakeholder Consultation." [Online] Available: https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/planning-land-use/dapr_2019_report.pdf.

¹¹ The development permit system provides a "one-stop" planning service by combining zoning, site plan and minor variance processes into one application for approval.

Clayton/Amborski comments: Expert Panel recommendation

We agree that there is a critical need to streamline and simplify the planning process in the GTHA and other parts of Ontario, including public meetings. In our opinion, the Expert Panel's recommendations should be seriously considered here in Ontario. Moving public participation forward to the re-zoning of large areas when under review, rather than for individual sites, or implementing a system of development permits could significantly shorten the approval process timelines.

Challenge 3: Future demographic estimates have persistently underestimated the housing supply needed to improve affordability

The Expert Panel says:

In B.C., municipalities must complete a Housing Needs Report by April 2022. These reports use future household growth as a measure of housing needs. According to the Expert Panel:

- Household growth forecasts on their own are insufficient as a marker of future housing needs because of the available supply constraints household formation.
- There is a need for an "affordability adjustment" to account for past undersupply, as the U.K. government has applied in its Housing and Economic Needs Assessments.
- There should also be adjustments to household forecasts for replacement demand (demolitions less net conversions in the existing housing stock) and vacancy allowances.

The Expert Panel calculates adjusted annual housing needs in the Vancouver Census Metropolitan Area ("CMA") between 2021 and 2026 at an average of 27,438 dwelling units or 57% higher than household growth:

See Ontario Ministry of Municipal Affairs and Housing (2008). "Development Permit System: A Handbook for Municipal Implementation." [Online] Available: <http://www.mah.gov.on.ca/AssetFactory.aspx?did=6131>

- Household growth = 17,440 units
- "affordability adjustment" = 6,374 units
- Replacement demand (demolitions, conversions) and vacancy allowance = 3,624 units
= 27,438 units

Expert Panel recommends:

- The B.C. government update the Housing Needs Reports methodology to include an "affordability adjustment" and require local governments to use anticipated growth numbers from these reports as binding minimum targets from which to determine land-use policies and decisions.

Clayton/Amborski comments: Challenge 3

1. There is no question that there has been an underproduction of new housing in the GTHA, particularly regarding ground-related units.

- A Toronto-based housing economist, Will Dunning, estimates a shortfall of 89,300 units in the last 13 years, almost 7,000 units per year. Ground-related homes account for all the deficiencies (combined singles, semis, townhouses).¹²

2. In Ontario, the approach utilized to forecast housing needs is the demographic approach – forecasting household growth and the types of dwelling units needed. The Province's land-needs assessment methodology mentions the household forecasts can be adjusted by various factors, including replacing net losses in the existing stock (e.g., demolitions less net conversions), changes in vacancies, market contingencies and other mitigating factors.¹³ However,

12 Dunning, Will (2021). "Not Enough Places to Live: Housing Production in Canada Has Fallen Far Short of the Needs of Our Growing Population." [Online] Available: https://56dea080-0c32-4a6a-9ec3-3f9eba3eb7cf.filesusr.com/ugd/ddda71_2ad70269943d4b0e92de78697c6c7213.pdf, 5.

13 Ontario Ministry of Municipal Affairs and Housing (2020). "A Place to Grow: Growth Plan for the Greater Golden Horseshoe. Land Needs Assessment Methodology for the Greater Golden Horseshoe." [Online] Available: <https://files.ontario.ca/mmah-land-needs-assessment-methodology-en-2020-08-27-v2.pdf>, 8, 14.

municipalities are not required to make these adjustments. All the housing needs forecasts we have seen to date for municipalities in the GTHA measure housing needs by household growth alone.

- There is no mention of an "affordability adjustment" to compensate for the past underbuilding of housing in Ontario's methodology.
- Expanding Ontario's housing needs methodology to incorporate the "affordability adjustment" and the other adjustments introduced by the Canada-B.C. Expert Panel and mentioned in Ontario's land needs assessment methodology, would significantly increase housing needs beyond what household growth indicates.

3. In the absence of an "affordability adjustment", replacement demand, and vacancy allowance adjustments, the housing needs forecasts prepared by municipalities in the GTHA in the update of their municipal comprehensive reviews and official plans:

- Significantly underestimate the new housing required to accommodate household growth and help close the affordability gap.

As a result, affordability will continue to deteriorate in the GTHA as the new supply is insufficient to accommodate household growth and net losses in the existing housing stock and a vacancy allowance.

Applying the adjustment factors used by the Expert Panel for the Vancouver CMA to Hemson's household growth forecast for the GTHA over the 2021–2031 decade results in annual housing needs averaging 79,300 units, or 55% more than household growth.¹⁴

¹⁴ Hemson Consulting (2020). "Greater Golden Horse-shoe: Growth Forecasts to 2051. Technical Report for the Ministry of Municipal Affairs and Housing." [Online]. Available: <https://www.hemson.com/wp-content/uploads/2020/08/HEMSON-GGH-Growth-Outlook-Report-26Aug20.pdf>

- Household growth = 50,400 units
 - "affordability adjustment" = 18,400 units
 - Replacement demand (demolitions, conversions) and vacancy allowance = 10,500 units
- 79,300 units

Clayton/Amborski response: Expert Panel recommendation

We support amending the Province's land needs assessment methodology to require municipalities to introduce an "affordability adjustment" and adjustments for net losses in the existing housing stock and including a vacancy allowance to their housing needs forecasts based on household growth. The continued reliance on household growth alone as a measure of housing needs significantly understates the quantity of new housing needed.

Conclusions

The current challenges resulting from problems with B.C.'s existing land use planning system identified by the Expert Panel are also found in Ontario, especially in the GTHA:

- It takes too long to navigate the development process;
- The re-zoning process can be difficult and amplifies the voices of a few rather than the needs of the community at large; and
- Demographic forecasts for future growth have persistently underestimated the housing supply needed to improve affordability.

The authors of this paper review the compelling policy recommendations of the Expert Panel to create a land-use planning framework that proactively encourages housing and adapts them to circumstances in the GTHA. Without substantive reforms to the land use planning system, there will continue to be an underproduction of new housing in the GTHA, especially ground-related housing and "missing middle" forms. As a result, further deterioration in affordability will be inevitable.

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