

Frank Clayton's Keynote Address to the AOLE AGM, June 27, 2023

The Importance of Shovel-Ready Land Inventory to Increase the Greater Golden Horseshoe's Supply of New Housing Faster

Notes for a presentation by;
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I was pleased with the invitation to participate in the 60th anniversary celebration of the establishment of the Association of Ontario Land Economists. Initially, I thought that since my career covers most of the time the Association has existed, I was invited to provide a historical overview of the Toronto region's real estate and urban evolution—a dreary topic which would require a lengthy speech. Then I realized with only a 30-minute time slot that, I must have been invited because the organizers believe in the adage that wisdom comes with age. Therefore, they rightly presumed, in my opinion, I would convey lots of wisdom to you. You will have to be the judge.

My topic this evening is “land,” which seems appropriate for an organization with land economics in its name.

Introduction to the topic of shovel-ready residential land

Convinced: What governments have done to the housing land supply is a primary cause of the affordability crisis in the GTA.

Residential land: Not just any land. Refers to land with approvals for what the market wants (zoned suitably for financial viability), serviced & ready to go (shovel-ready).

- If a shortage of shovel-ready sites – housing prices up
- If a surplus of shovel-ready sites – downward pressures on prices

My first interest in land issues: When I moved from Ottawa to join CMHC as its Winnipeg-based economist for the prairie region in the latter 1960s, I was struck by how affordable home purchase was in Winnipeg and the four other metropolitan areas in the prairies compared to Toronto. Differences in the land markets helped to explain the sizeable affordability gap:

- Winnipeg and its counterparts in Saskatchewan and Alberta could expand on flat land in all four directions, and they did so.
- While Toronto could grow in three directions, the supply of developable land was reduced by the concern about water quality, which resulted in the closures of smaller upstream sewage treatment plants in favour of massive lake-based plants – this resulted in less developable land than before.
- Montreal was an oddity: Canada's second-largest metropolitan area with physical constraints like sizable rivers intersecting the region – at the time, Montreal dumped its raw sewage in the St. Lawrence River, which allowed more land to be developed with a much lower cost base than Toronto.

Land availability and its cost base became apparent major factors in housing affordability.

My 1987 study of the evolution of the housing industry in Canada

The pivotal role of land in housing affordability was reinforced in a 1987 study I conducted for CMHC dealing with the housing industry's evolution in Canada from 1946-1986. All of the major factors of housing production other than land – labour, materials, entrepreneurship and mortgage funding – are subject to the pricing mechanism of the marketplace. When their prices rise, supply will follow along. On the other hand, land supply depends on a political process independent of the pricing signals of the marketplace.

Shovel-ready land - what is it?

Shovel-ready land is land with all planning permissions and servicing in place for viable residential projects. It's a concept increasingly used in the economic development arena regarding industrial land.

Frank Clayton giving his keynote address at the AOLE Annual General Meeting on June 27th, 2023



More details are contained in a recently completed [CUR study](#) of shovel-ready residential land in the Greater Golden Horseshoe (GGH).¹

In this study, we approximate shovel-ready land with the definition of short-term land in policy 1.4.1b) of the Provincial Policy Statement (PPS): land suitably zoning to facilitate residential intensification and redevelopment plus land in draft approved and unbuilt registered plans.

Using the PPS definition overstates the shovel-ready land inventory, but it's the closest definition with data available.

Do we have ample shovel-ready sites for new housing in the GTA and GGH?

Certainly not for ground-related housing (singles, semis and townhouses): just a 1.9-yr. supply of short-term ground-related land in GGH.

Apartment land, yes: about a 7-yr. supply of short-term land.

Likely a shortage of missing middle apartment land too: While there is no breakdown of apartments by the number of storeys or type, anecdotal insight suggests that most of the apartment land inventory is for higher density structures, not missing middle types like stacked townhouses, duplexes and garden apartments (4 storeys or less).

Remember: Exaggerating the supply of shovel-ready land by using the short-term land definition from PPS.

Why do some planners say we have enough residential land?

Neptis Foundation: First to say yes, several years ago - it concluded there was 100,000+ ha available for urban development in the GGH.

Kevin Eby, for Alliance for a Liveable Ontario: Earlier this year, concluded there is enough residential land supply (existing capacity) to accommodate 2.1 million housing units in the GGH.

Regional Planning Commissioners of Ontario: Its data shows land approved or in the development process to accommodate 1.2 million units in the GGH. However, just 286,000 units (24%) were on short-term sites (our proxy for shovel-ready),

I conclude that many planners don't fully understand the dynamics of housing and land markets (both demand & supply) and the impacts of their planning actions on markets, especially by unit types. Their approach seems to be: even though many households prefer a ground-related home, if we build mostly apartments, people will have no choice but to live in them.

The reality is that municipalities can control the type of housing built within their boundaries, but they can't control where people live or the type of housing they live in. Thus, the continued suburbanization of the population in the GGH.



¹ Clayton, Frank. (2023). Expanding Housing Supply and Improving Housing Affordability in the GGH Are Pipedreams Without an Ample Inventory of Shovel-Ready Sites. Available [Online]: https://www.torontomu.ca/content/dam/centre-urban-research-land-development/CUR_shovel_ready_land_May_2023.pdf

The root of the shovel-ready land shortage problem

Land (approved, serviced) is the only factor of production not driven by market forces/price mechanism: The supply is determined by a political and planning process, which is excessively onerous in the GGH. A CMHC study documented that the Toronto CMA (and the Vancouver CMA) has the lowest responsiveness of new housing supply to increases in prices of the metropolitan areas it examined.

Why does this shortage persist?

There is an adage: "What gets measured gets managed".

There has not been an inventory of residential land by development stage and unit type compiled in the GTA (let alone the GGH) since 1993, the year before the Liberals were elected on a platform which included environmental activism.

This lack of land data is astonishing since the PPS has included Policy 4.1.2.1b) since the mid-1990s. The policy continues to be included in the Proposed Provincial Planning Statement, now out for consultation.

Equally astounding is that I can't recall the provincial government ever requiring reporting by municipalities of their short-term land inventories or any penalties or incentives provided for municipalities not reporting.

A few municipalities have reported on the adequacy of their years' supply of short-term land, but it is usually in terms of total units, not types. The analyses often use past starts or building permits to proxy for future demand.

I am perplexed why planners and politicians don't connect the need to maintain an ample inventory of shovel-ready sites for various housing types and densities in multiple locations with the issue maintaining housing affordability.

A likely answer

My hypothesis – housing is more affordable in urban regions with a single municipality or two-tier government than in municipally fragmented regions.

By urban region, I mean a commutershed where most people work and live. Statistics Canada refers to commutersheds as census metropolitan areas (CMAs).

Municipal boundaries in the Toronto CMA do not correspond with the commutershed boundaries, unlike back in 1953 when Metro Toronto was formed.

Metro Toronto established in 1953

Metro Toronto and the Toronto CMA boundaries coincided. Metro Toronto was a two-tier municipality with several local municipalities amalgamated. In addition to representing the commutershed, the division of responsibility recognized economies of scale and uneven property tax resources across the region. The upper-tier municipality provided infrastructure for a massive housing expansion.

The linkage between municipal and Toronto commutershed boundaries had broken down by the early 1970s.

Over time housing and population growth spilled over to adjacent municipalities. By the early 1970s, the Province opted to create four new municipal regions whose boundaries in all or part were part of an enlarged Toronto CMA instead of expanding the boundaries of Metro Toronto. These new regions were two-tier municipalities similar to the original Metro Toronto, with the upper-tier municipality responsible for infrastructure like sewer and water. Since the mid-1990s, the Toronto CMA has consisted of the enlarged city of Toronto, four regional governments, two counties (all or in part), and 28 local municipalities. All these municipalities have land use planning responsibilities.

In the mid-1990s, there was support for a regional GTA government. However, the provincial government of the day opted to leave the regions alone but amalgamated the Metro Toronto municipalities into a single-tier expanded city of Toronto.



Frank Clayton at the AOLE Annual General Meeting at the Royal Canadian Yacht Club's clubhouse.

The linkage between municipal boundaries and the larger commutershed was broken for good. In fact, with the imminent dismantling of Peel Region into its three local municipalities, the Province is moving away from regional government and creating more single-tier municipalities.

Ottawa: a single-tier municipality with boundaries similar to its commutershed

The expanded city of Ottawa was created in 2001 when the local municipalities were amalgamated into an enlarged city of Ottawa and the regional municipality of Ottawa-Carleton disbanded. Both the former region and the expanded city of Ottawa had boundaries close to the commutershed borders, like Metro Toronto back in 1953. Since 2001, Ottawa has had a single municipal council and land use planning body. Before that, the regional municipality had responsibility for major infrastructure to accommodate growth.

Comparison of Toronto and Ottawa CMA housing markets

In the mid-1980s, housing affordability was the same in the Toronto and Ottawa urban regions.

Affordability deteriorated in both areas, especially after the mid-2000s, but much more so in Toronto. Commutershed-wide planning for new development and infrastructure resulted in Ottawa's Council and staff being more forward-thinking about the region's current land inventory and future residential land needs. Ottawa, for example, produces an annual inventory of vacant greenfield lands by planning status and unit types, which is unavailable in the Toronto region.

Ottawa, for decades, monitored land supply in the development pipeline annually and related its housing requirements. It expanded urban boundaries too. Ottawa was not subject to the Growth Plan for the Greater Golden Horseshoe, which negatively impacted housing development in the Toronto CMA. Ottawa implemented policies about intensification and densification, but these policies were locally based.

Conclusion

It cannot be stated that housing will automatically be more affordable when an urban region has a metropolitan government covering its commutershed. Based on our Toronto CMA/Ottawa CMA comparison, we can say that it is much more likely that urban regions with metropolitan governments will have more affordable housing.

Where do we go from here in the Toronto CMA

Three suggestions for the Province:

- Take on the role of the upper-tier municipality in the Toronto urban region (CMA) and assume responsibility for growth-related infrastructure, including its financing.
- Municipal housing targets are a good beginning. Still, they must be disaggregated by broad types. Otherwise, a flood of multi-unit apartment towers reaching 100+ storeys will be the easiest way to achieve the Province's targets, but these will not provide the kinds of housing the majority is looking for.
- Monitor and enforce (incentivize) municipal compliance with Policy 1.4.1b) of the current PPS (Section 2.1.2b of the Proposed Provincial Planning Statement) – a prerequisite for greater housing affordability is a plentiful inventory of shovel-ready land.

Thanks for listening. This is all my wisdom on land supply and housing affordability now. ➤



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