



# Action Plan for Improving Housing Affordability in the Greater Golden Horseshoe

## Policy Commentary

Centre for Urban Research and Land Development  
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July 17, 2018

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# Highlights

The following policies are recommended for consideration by the new provincial government to enhance housing affordability in the Greater Golden Horseshoe (GGH):

1. Enforce municipal compliance with Policies 1.4.1 a) and b) found in the 2014 Provincial Policy Statement to foster an ample supply of short-term land by housing type
2. Expedite the expansion of municipal sewer and water infrastructure in the 905 region
3. Enforce municipal compliance with provincial policy to allow secondary suites in houses as a matter of right to increase the supply of affordable rental housing
4. Require municipalities to commit to providing opportunities for the development of mid-density units like stacked townhouses
5. Interpret policies in the Growth Plan for the GGH where possible in ways that encourage the construction of a range of housing types
6. Delay inclusionary zoning as a municipal housing tool until better regulations are developed which require municipalities to assess their specific market conditions in developing its policy application
7. Conduct an in-depth review of Ontario's land use planning system to improve its efficacy and minimize adverse impacts
8. Retain the Non-Resident Speculation Tax for the foreseeable future and use its revenues to fund sewer and water infrastructure

# Introduction

There is widespread awareness that something is amiss in the housing market in the Greater Golden Horseshoe, (GGH), as increases in house prices and rents are outpacing income growth by a wide margin. In addition to lower-income groups, middle-income households are increasingly unable to access the types of housing their counterparts in previous generations were able to afford without allocating excessive portions of their incomes to shelter costs.

Many observers, including politicians, media and the general public, blame demand factors for this deterioration in overall affordability. While this may be a factor, market supply remains the largest concern. Supply should be allowed to freely respond to demand pressures to keep a lid on prices. Economics 101 tells us housing prices are mutually determined by the interaction of supply and demand. When supply fails to expand to meet demand the result is high and rising housing prices or rents.

Recent research published by the Canada Mortgage and Housing Corporation, (CMHC), has demonstrated that the response of new housing supply to a given rise in housing prices has varied significantly by region. New housing supply has come on the market at much lower rates in the Toronto and Vancouver regions when compared to other urban regions such as Edmonton and Montreal.<sup>1</sup>

Based on research conducted by the Centre for Urban Research and Land Development (CUR) at Ryerson University, the single largest cause of the sluggish supply responsiveness to rising prices is the land-use planning system.

The shortage in supply of serviced sites for new housing, whether on greenfield lands in the 905 regions or on redevelopment sites in built-up areas like the city of Toronto, is a particular concern.

<sup>1</sup> *Examining Escalating House Prices in Large Canadian Metropolitan Centres*, Canada Housing and Mortgage Corporation, Available at: <https://www.cmhc-schl.gc.ca/odpub/pdf/69262.pdf?fr=1522467180028>. [Accessed February 7, 2018]

Before turning to housing policies to significantly increase the supply of new housing, there is a need for the province to acknowledge:

- There are two broadly distinctive housing sub-markets in the Toronto region – ground-related homes and high-rise apartments. Low-rise housing - stacked townhouses and low-rise apartments - has largely been ignored.
- The inability of the land-use planning system to respond quickly to housing demand shifts is a key factor behind high and rising house prices in the Toronto region, both in total and by sub-market.
- Ground-related housing does not have to be single-detached houses on larger lots. Townhouses can provide many of the same attributes at a much higher density (units per hectare) than single-detached houses, even with houses being fitted on lots as small as 26-foot width. Even low-rise apartments, like stacked townhouses, are preferred by many buyers over multi-storied apartments.

**The recent change in the provincial government provides an opportunity to take a new lens to housing issues and policy design. CUR would like to offer the incoming government some potential policy ideas for consideration.**

## Objective

- To ensure an ample supply of affordable housing by unit type in the GGH to accommodate the demands of robust growth and demographic change.

## Underlying Realities of the Housing Marketplace

1. Housing prices are the result of the interaction of supply and demand – neoclassical economist Alfred Marshall explains price determination by using a scissor analogy where the cutting is done jointly by both blades.
2. Factors of production (capital, labour and land) for new housing are generally subject to market forces – when prices rise, supply increases and vice versa.
3. The major exception is the supply of serviced sites which is determined by municipalities under rules largely specified by the Province of Ontario. For the last 15 years the production of serviced sites for ground-related housing – singles, semis and townhouses – has increasingly been constrained while high-rise apartments have been encouraged. The production of mid-density housing – stacked townhouses and low-rise apartments – has been ignored.
4. The Ontario government and municipalities inflate housing prices – both existing and new – by imposing direct costs on the development of new housing and indirect costs required to meet approval and regulatory hurdles. These hurdles include development charges, lengthy and uncertain approval times, parkland dedications, other exactions and taxes.<sup>2</sup>
5. It is typically much less expensive to create additional housing units in existing structures, (e.g. adding a second suite to a single-detached house), than to build units in new purpose-built rental buildings. This is especially useful when employing limited public financing to increase the rental supply, as it gives governments more bang for their buck.
6. More affordable housing, both ownership and rental, is provided

<sup>2</sup> *Government Charges and Fees on New Homes in the Greater Toronto Area*, Altus Group Economic Consulting. Available at [http://www.bildgta.ca/Assets/Bild/EducationalLibrary/BILD\\_Report.pdf](http://www.bildgta.ca/Assets/Bild/EducationalLibrary/BILD_Report.pdf) [Accessed 13 Jul. 2018].

when the “filtering process” is allowed to operate effectively. More affordable existing single homes become available when their occupants “move up” to larger, more modern new homes built on greenfield lands. Similarly, when renters “move up” to more expensive newly-built rental accommodation, more affordable rental homes become available as a result.

7. Demand for new housing units in the GGH is anticipated to be robust - in excess of 47,500 units per year on average. This, combined with shortfalls in supply, will aggravate issues of housing affordability.
8. The largest component of demand for housing will be for ground-related and mid-density housing units, though there will be a sizable demand for higher density apartments as well.<sup>3</sup>
9. If the unit mix of new housing built is not in accordance with the demand, the types of units with a shortfall will see the greatest rise in prices (and reduced affordability).

## Actions to improve housing affordability – underlying principles

### Priorities

1. The top priority is to increase the supply of ground-related and mid-

<sup>3</sup> Diana Petramala and Frank Clayton, *Millennials in the Greater Toronto and Hamilton Area: A Generation Stuck in Apartments?*, Centre for Urban Research and Land Development. Available at [https://www.ryerson.ca/dam/cur/pdfs/policycommentaries/CUR\\_Research\\_Report\\_Millennial\\_Housing\\_GTHA\\_May\\_22.pdf](https://www.ryerson.ca/dam/cur/pdfs/policycommentaries/CUR_Research_Report_Millennial_Housing_GTHA_May_22.pdf) [Accessed 7 Jul. 2018].

density housing, particularly in the Greater Toronto Area (GTA), both in the shorter and longer term.

2. A second priority is to increase the supply of affordable rental housing.
3. A third priority is to reduce the level of direct and indirect government-imposed costs embedded in the price of new housing (and indirectly the prices of exiting housing).
4. A fourth priority is to support competition in the housing industry, especially on the land development side.

### Principles

There are a number of guiding principles CUR used to develop its recommendations.

1. The land use planning system and its provisions have profound implications for the price of housing. The more constraining, complex, uncertain, costly and time-consuming the process is, the greater the impact on housing prices.<sup>4</sup>
2. Municipal infrastructure must be in place to accommodate new development on a timely basis and at a fair cost to the owners of new housing, for both intensification and greenfield development.
3. New development of all types of housing generate economic benefits as well as costs. The

<sup>4</sup> David Amborski, *Affordable Housing and Land Supply Issues in the Greater Toronto Area (GTA)*, Centre for Urban Research and Land Development. Available at [https://www.ryerson.ca/content/dam/cur/pdfs/CUR%20Policy%20Report\\_Affordable%20Housing%20and%20Land%20Supply%20Issues%20in%20the%20GTA.pdf](https://www.ryerson.ca/content/dam/cur/pdfs/CUR%20Policy%20Report_Affordable%20Housing%20and%20Land%20Supply%20Issues%20in%20the%20GTA.pdf) [Accessed 7 Jul. 2018]; and Frank Clayton and David Amborski, *Countering Myths about Rising Ground-Related Housing Prices in the GTA: New Supply Really Matters*, Centre for Urban Research and Land Development. Available at [https://www.ryerson.ca/content/dam/cur/pdfs/policycommentaries/Countering%20Myths%20about%20Rising%20Ground-Related%20Housing%20Prices%20in%20the%20GTA%20-%20New%20Supply%20Really%20Matters\\_CUR%20Policy%20Report\\_2017.04.25.pdf](https://www.ryerson.ca/content/dam/cur/pdfs/policycommentaries/Countering%20Myths%20about%20Rising%20Ground-Related%20Housing%20Prices%20in%20the%20GTA%20-%20New%20Supply%20Really%20Matters_CUR%20Policy%20Report_2017.04.25.pdf) [Accessed 7 Jul. 2018].

funding of infrastructure should be distributed appropriately amongst the beneficiaries.

4. The objectives for land use planning and infrastructure provision in the GGH over the past 15 years have placed a primary emphasis on environmental objectives at the expense of housing and related economic objectives.
5. The land use planning system is out-of-step with a rapidly changing world. It is inflexible and incentivizes undesirable results.
6. The GGH is actually composed of 9 separate urban areas, each of which is distinct. These regions are delineated by Statistics Canada based on commuting patterns and called Census Metropolitan Areas.
7. Housing types matter. The goal of planning is not just to produce housing units but to provide the kinds of housing that enhance the economic and social well-being of the population by meeting household demand and expectations.
8. With future economic and real estate market uncertainty it is wise to have an ample supply of “shovel-ready” sites for new housing to maintain housing affordability.
9. It is more cost effective for governments to fund the creation of secondary suites in existing houses, which will be mainly rental, over funding units in new, purpose-built rental apartment buildings.

**1. Enforce municipal compliance with Policies 1.4.1 a) and b) found in the 2014 Provincial Policy Statement to foster an ample supply of short-term land by housing type**

- Give upper-tier and single-tier municipalities in the GGH 60 days to provide an inventory of short-term land (currently defined in the PPS as that available for development within three years) and to assess its adequacy to accommodate expected demand. This assessment should be governed by the following:
  - o The minimum acceptable years' supply of short-term land should be interpreted instead as a *five years' supply*;
  - o The analysis should be done by unit type: single/semi, townhouses, stacked townhouses/low-rise apartments and higher-rise apartments;
  - o All greenfield lands should be serviced or with servicing underway or planned for completion in the capital budget within 5 years;
  - o Intensification sites should be shovel-ready with all approvals and servicing in place;
  - o Anticipated demand by unit type should reflect market-based demand; and
  - o An action plan to counter any shortfalls of land by housing type should be identified.
- Give upper-tier and single-tier municipalities in the GGH 120 days to provide an inventory of land able to accommodate long-term residential growth for a minimum of ten years (per a), and to assess its adequacy to accommodate expected demand. This assessment is to be governed by the same conditions as above.

## Actions to improve housing affordability in the GGH

## **2. Expedite the expansion of municipal sewer and water infrastructure in the 905 region**

- Review bottlenecks holding back expansion of sewer and water with municipalities, and jointly pursue policies to expedite approvals and construction.
- Pursue private-public partnership opportunities for the provision of sewer and water services, including privatization options for the building of new infrastructure and the replacement of older existing infrastructure.
- Consider the Province front-ending the financial costs of sewer and water expansion as it did with the Peel and York-Durham Servicing Schemes in the 1970s. Revenues will be recovered through user charges.

## **3. Enforce municipal compliance with provincial policy to allow secondary suites in houses as a matter of right to increase the supply of affordable rental housing**

- Many municipalities are dragging their feet on promoting the addition of secondary suites in all houses within their boundaries, despite provincial policy.
- Encourage homeowners to add secondary suites by providing provincial financial assistance.
- The Province should negotiate with CMHC to divert a sizable portion of its assistance for new rental housing developments to supporting the creation of secondary suites.
- Study expansion of secondary suite permissions to encompass the conversion of single-detached houses into multi-unit structures (condo or rental) and to add ancillary units like laneway homes as a matter of right.

## **4. Require municipalities to commit to providing opportunities for the development of mid-density units like stacked townhouses**

- They provide an affordable option to single-detached houses with higher densities.
- Municipalities should be required to implement as-of-right zoning exclusively for mid-density housing along arterials and other locations designated for transition to higher densities. This should include the prohibition of conversion of these sites to higher-rise apartments in such sites in order to not inflate the site prices.
- Municipalities should be required to investigate the opportunities for converting obsolete or marginal industrial areas to lower and mid-density residential use through a “highest and best use” analysis which incorporates the benefits and costs of the conversion. The study conducted by the City of Toronto leading up to the conversion of the Warden Woods industrial lands provides a useful guide in this regard.<sup>5</sup>

## **5. Interpret policies in the Growth Plan for the GGH where possible in ways that encourage the construction of a range of housing types**

- Examples include:
  - o Allowing flexibility in minimum density and intensification requirements depending upon local housing market and economic conditions and land availability.
  - o Revise the methodology for the recently developed land needs analysis as it disregards housing market considerations and housing

<sup>5</sup> Frank Clayton, *Reusing Older Industrial Areas: An Effective Tool for Providing Affordable Market Housing for Families in the City of Toronto*, Centre for Urban Research and Land Development. Available at <https://www.ryerson.ca/content/dam/cur/pdfs/policycommentaries/CUR%20PolicyCommentaryNo2.pdf> [Accessed 7 Jul. 2018].

types.<sup>6</sup> Rather, municipalities should be required to base their residential land requirements on a previous methodology released by the Province back in the mid-1990s, which incorporated demand and land supply considerations by type of housing units.<sup>7</sup>

- Where possible use individual census metropolitan areas, (there are 9 in total), as the geography for applying policies in the Growth Plan – e.g., applying minimum intensification targets for the census metropolitan area as a whole, not each municipality.

## 6. Delay inclusionary zoning as a municipal housing tool until better regulations are developed which require municipalities to assess their specific market conditions in developing its policy application

- Inclusionary zoning as introduced by the previous government will have adverse implications for the housing market and housing affordability as the regulations do not require municipalities to consider market conditions and impacts.
- The rationale for inclusionary zoning is that it offers developers more density in exchange for more affordable units, thereby increasing the stock of housing available to low income households. This exchange is not integral to the Ontario scheme as introduced.
- The Ontario inclusionary zoning provisions should be reconsidered to ensure they are based on housing market and financial viability considerations.<sup>8</sup>

<sup>6</sup> Ontario Growth Secretariat, *Land Needs Methodology for the Greater Golden Horseshoe*, May 4, 2018. Available at [https://placetogrow.ca/images/pdfs/final\\_lna/en/land\\_needs\\_assessment\\_methodology\\_EN.pdf](https://placetogrow.ca/images/pdfs/final_lna/en/land_needs_assessment_methodology_EN.pdf) [Accessed 7 Jul. 2018]

<sup>7</sup> Frank Clayton and David Amborski, Province's Proposed Land Needs Methodology Will Aggravate Housing Price Affordability in the GGH. Centre for Urban Research and Land Development, [Blog, March 2nd, 2018]. Available at <https://www.ryerson.ca/cur/Blog/blogentry25> [Accessed 7 Jul. 2018].

## 7. Conduct an in-depth review of Ontario's land use planning system to improve its efficacy and minimize adverse impacts

- Launch a New Zealand-type inquiry to examine ways that the land use planning system in the Toronto region is affecting housing costs. Examine ways to reform the system to counter price pressures by making the system more flexible and receptive to market demands.<sup>9</sup>

## 8. Retain the Non-Resident Speculation Tax for the foreseeable future and use its revenues to fund sewer and water infrastructure

- The tax on foreign buyers of residential properties in the GGH should continue.
- In the meantime, the tax revenues should be directed to expand sewer and water to accommodate the building of additional new ground-related and mid-density housing units.<sup>10</sup>

<sup>8</sup> Frank Clayton and Geoff Schwartz, *Is Inclusionary Zoning a Needed Tool for Providing Affordable Housing in the Greater Golden Horseshoe?* Centre for Urban Research and Land Development. Available at [https://www.ryerson.ca/content/dam/cur/images/projects/CUR%20RR%235\\_Inclusionary%20Zoning%20Report\\_Updated\\_Oct%2020%2C%202015\(LG\).pdf](https://www.ryerson.ca/content/dam/cur/images/projects/CUR%20RR%235_Inclusionary%20Zoning%20Report_Updated_Oct%2020%2C%202015(LG).pdf) [Accessed 7 Jul. 2018]. and William Stockton, *The Economics of Inclusionary Zoning*, Urban Land Institute. Available at <https://uli.org/wp-content/uploads/ULI-Documents/Economics-of-Inclusionary-Zoning.pdf> [Accessed 7 Jul. 2018].

<sup>9</sup> New Zealand Productivity Commission, *Better Urban Planning*, Available at <https://www.productivity.govt.nz/sites/default/files/MASTER%20COMPILED%20Better%20urban%20planning%20with%20corrections%20May%202017.pdf> [Accessed 7 Jul. 2018]

<sup>10</sup> Diana Petramala and Matthew Taylor U E, *Ontario Government Not Yet Maximizing the Economic Benefits from its Foreign Buyers' Tax to Increase Housing Affordability*. Centre for Urban Research and Land Development, [Blog, October 23, 2017]. Available at <https://www.ryerson.ca/cur/Blog/blogentry20> [Accessed 9 Jul. 2018].