

# Consultation: Increasing Housing Supply in Ontario Submission from the Ryerson City Building Institute and The Atmospheric Fund

January 25, 2019

*The Ryerson City Building Institute combines leading-edge research with broad public engagement to advance progressive city building in the GTHA and beyond. This submission is also supported by The Atmospheric Fund. This submission focuses on the issue of housing affordability in the context of GTA and Greater Golden Horseshoe, however many of the recommendations explored can be applied to other municipalities in the province.*

## Introduction

In the GTA today, significant new housing is being delivered in the form of new greenfield housing developments at the periphery of our urban areas, and as small condominium units at high-density nodes such as Downtown Toronto, Yonge-Eglinton and Mississauga City Centre. These are, and will continue to be, important components of housing supply, but they do not address all market segments.

The focus of government intervention should be on what the market is failing to deliver: missing-middle housing, purpose built rental units, and larger family-friendly condominium units. This means that in solving the region's housing affordability problems a more nuanced approach is required, supported by focused policy.

## Housing Delivery in Ontario

Over the past decade, housing delivery has matched historical trends. From 2009 to 2017, a total of 575,000 new homes were completed while Ontario grew by 1,310,759 residents—an average of one new home per 2.28 new residents. This compares to the overall average between 1991 and 2017 of one home per 2.38 new residents. While there has been a shift toward condo/apartment units making up more of the supply (42% between 2009 and 2017 vs. 29% between 1991 and 2017), the current rate at which housing is being built is comparable to historical trends.

The affordability challenges being experienced in the Greater Golden Horseshoe are, as such, not entirely the result of lack of supply. Instead they are the result of growing investment demand for housing<sup>1</sup> and a mismatch between the type of housing end-users need and what is being delivered by the market.

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<sup>1</sup> Gordon, Josh (2017). In High Demand. Ryerson City Building Institute. Available at: <https://www.citybuildinginstitute.ca/portfolio/in-high-demand/www.citybuildinginstitute.ca/download/6397>

## Delivering the “Right Supply in the Right Locations”

In solving the region’s current affordability issues, delivering new supply is important. However, this new supply should be focused on what is missing from the equation rather than what is already being delivered to the market. That is to say, the focus of this strategy should be to deliver the *right* supply in the *right* locations.

A broad focus on cutting red-tape is more likely to lead to more of the same—more small units at high-density nodes and more greenfield development at our urban periphery. These are forms of development that the market is already delivering, that already have significant supply in the pipeline. Going forward, we recommend that the government focus its efforts on:

1. Promoting intensification and delivering housing in areas well served by transit and existing infrastructure.
2. Increasing the supply of purpose-built rental units.
3. Increasing the supply of larger, family-friendly units in existing urban areas.

### Summary of Recommendations:

#### Promoting intensification and delivering housing in areas well served by transit and existing infrastructure:

1. Require comprehensive land supply assessments that study all potential development sites across a municipality, with a focus on understanding potential intensification sites.
2. Establish recommended site-level density targets (floor area ratios) for intensification areas identified in the Growth Plan (ex. urban growth centres, transit corridors and station areas).
3. Require (p)re-zoning to transit supportive densities as a condition of the release of transit funding.
4. Mandate parking maximums for transit corridors and transit station areas.
5. Expand permissions for triplexes, fourplexes, (stacked) townhouses, walkup and low-rise apartments, and accessory dwelling units.
6. Reform the development charges act to require development charges to be locally specific rather than allowing city-wide development charge formulas.
7. Mandate a lower cap on parkland dedications fees for medium and high-density developments.

#### Increasing the supply of purpose-built rental units:

8. Defer collection of development charges for purpose-built rental units until they have been completed and successfully rented.
9. Set a provincial target of building 8,000 purpose-built units per year in the GTA. Establish a target for other markets in Ontario.
10. Require municipalities to ‘fast track’ purpose-built rental building development applications.

### Increasing the supply of larger ‘family-friendly’ units delivered in existing urban areas:

11. Set minimum two- and three-bedroom unit requirements for developments with more than 40 residential units.
12. Provide development charge deferrals for two- and three-bedroom units to delay their payment until occupancy.

## Detailed Recommendations

### Promoting intensification and delivering housing in areas well served by transit and existing infrastructure:

There is significant capacity to increase the supply of housing delivered in existing urban areas. Research carried out by the Ryerson City Building Institute in 2018 showed that Mississauga (a case study subject) could accommodate 174,000 new housing units at an average size of over 1,000 square feet via modest medium-density intensification. This amount of housing could accommodate 435,000 new residents, enough to accommodate 85% of Peel’s projected growth through 2041. Even more new housing would be possible through more permissive zoning in Mississauga’s residential neighbourhoods. The opportunity for intensification in Mississauga also exists in many municipalities across the region.

Taking full advantage of opportunities to intensify our existing urban areas offers significant benefits. Well planned intensification can deliver larger units that are suitable to families and larger households, and housing requiring shorter commutes than in greenfield developments. Intensification also offers an opportunity to build new housing close to existing services, jobs, schools and transportation infrastructure, minimizing the need for new infrastructure expenditures.

In order to better deliver on the potential of intensification, municipalities first need to better understand where opportunities to intensify exist, through research. Municipalities will also need to permit more intensification as-of-right, particularly in areas served by transit and other major infrastructure investments. The Provincial Government can provide guidance for these activities.

### **Recommendation 1: Require comprehensive land supply assessments that study all potential development sites across a municipality, with a focus on understanding potential intensification sites.**

Ontario’s current Land Needs Assessments require municipalities to calculate the amount of greenfield land they require in order to accommodate growth. These analyses are meant to be informed by a supporting intensification analysis, however there are no guidelines for such analyses, and municipalities are only required to demonstrate how they will meet their minimum intensification target. A more comprehensive approach to analyzing housing delivery will create a stronger understanding of where and how housing could be delivered across a municipality, including in existing urban areas.

We recommend mirroring the United Kingdom’s Strategic Housing and Land Availability Assessments (SHLAA).<sup>2</sup> These studies ask municipalities to consider all potential sites. The steps for an SHLAA include:

1. Identifying sites and locations with development potential through an exhaustive search that includes a desktop review and a wide public call for sites. Anyone can submit a site for inclusion, as long as it can accommodate at least 5 housing units—if your large detached lot might be a suitable location for a low-rise apartment, you can submit it to the study.
2. Assessing the development potential (number of units) of those sites, taking into consideration location, access to infrastructure and services, and physical site characteristics. Notably, policy barriers, such as zoning by-laws should not influence this calculation.
3. Assessing the suitability and likelihood of development of each site—including the deliverability of the units within a five-year, 6 to 10-year and 11 to 15-year time frame based on economic considerations.

SHLAAs are meant to comprehensively identify where housing is possible, and to understand the barriers to delivering this housing, including any policy constraints to delivering housing, such as zoning. Where necessary, local authorities are encouraged to consider changing those policies:

*“Where constraints have been identified, the assessment should consider what action would be needed to remove them ... Actions might include ... a need to review development plan policy, which is currently constraining development.”<sup>3</sup>*

Studies similar to SHLAAs will help Ontario’s municipalities understand where, how and when housing can be delivered across all potential development sites. These studies allow municipalities to make more informed development plans, policies, and infrastructure investment decisions. Specifically, they help municipalities better identify and plan for development in existing urban areas.

**Recommendation 2: Establish required site level density targets (floor area ratios) for intensification areas identified in the Growth Plan (ex. urban growth centres, transit corridors and station areas).**

Currently the Growth Plan sets area-based density targets on the basis of “people and jobs per hectare.” This leaves it up to municipalities as to how to meet these proposed targets. Instead, the Growth Plan should establish minimum site level density targets to

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<sup>2</sup> Ministry of Housing, Communities and Local Government. (March 2014). Housing and economic land availability assessment Guidance Document. Available at: <https://www.gov.uk/guidance/housing-and-economic-land-availability-assessment#about-the-assessment>

<sup>3</sup> Ministry of Housing, Communities and Local Government, U.K. (March 2014).

be implemented by Official Plans and Zoning By-laws for priority intensification areas. This will create clear expectations for development density, and remove the need for re-zoning in many instances.

These required minimum densities must reflect a clear pathway to meeting the original “people and jobs per hectare” targets, and support increased redevelopment opportunities as-of-right. Potential guidelines for these minimum-density targets include:

- At transit stations: floor area ratios that allow for tall midrise buildings of up to 12-storeys as-of-right
- Along transit corridors: floor area ratios that allow for 6-10 storey midrise buildings as-of-right
- In residential neighbourhoods within 800m of transit stations: floor area ratios that allow for stacked townhouses, and low-rise and walk-up apartments up to four storeys

**Recommendation 3: Require (p)re-zoning to transit supportive densities as a condition of the release of transit funding.**

The province can take a more assertive role in ensuring that transit supportive densities and land-use plans are set for transit station areas. This can be done by tying provincial capital funding for transit expansion to the requirement that municipalities up-zone these areas to an appropriate transit supportive density. In order to this, the government needs to:

1. Empower a provincial or regional agency to set and enforce transit-supportive densities and requirements along transit corridors.
2. Enforce a “transit quid-pro-quo” that requires municipalities to update their zoning by-laws and official plans to ensure that intensification is permitted along new transit corridors before funding is released for these investments.

**Recommendation 4: Mandate parking maximums for transit corridors and transit station areas.**

In addition to the need for transit supportive densities being enforced by zoning by-laws, minimum parking requirements can also act as a barrier to development in these areas. Structured parking typically costs up to \$60,000 per spot.<sup>4</sup> This adds significant costs to developments that must be passed along to homebuyers and can harm development feasibility.

The government should recommend maximum parking requirements for developments along transit corridors via the Growth Plan and/or enforce such guidelines via the “transit quid-pro-quo” noted in recommendation above.

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<sup>4</sup> The Pembina Institute (2015). Make Way for Midrise. Available at: <https://www.pembina.org/reports/make-way-for-mid-rise.pdf>

**Recommendation 5: Incentivize and expand permissions for gentle density including triplexes, fourplexes, (stacked) townhouses, walkup and low-rise apartments and accessory dwelling units.**

Expanding permissions for gentle density into more residential neighbourhoods can help ensure that more housing options are available in areas with existing infrastructure in place. In many cases, existing residential neighbourhoods have been losing population,<sup>5</sup> and gentle density offers an opportunity to add population back to these areas. The Planning Act has previously been reformed to allow for secondary suites in all-areas.<sup>6</sup> A similar reform will allow increased gentle density and/or other building typologies in all residential areas.

Removing or reducing parking requirements for secondary suites and other forms of gentle density in residential neighbourhoods within 800m of regular transit service will incentivize uptake of more gentle density in location-efficient areas.

Finally, simplifying the stratification process for developments of four units or less will increase the uptake of secondary suites/gentle density projects. Stratification allows homeowners and/or home builders to sell newly created units, rewarding them with a more immediate and attractive financial return. For example: a homeowner with an existing single-detached house converts it into a triplex; stratification allows them to sell two of the newly created units, while continuing to live in one of the units.

**Recommendations 6: Reform development charges act to require development charges to be locally specific.**

Most municipalities in the GTA charge development charges on a city-wide basis rather than a local-area basis. Calculating DCs on a city-wide basis means that developments that require minimal infrastructure investments (ex. gentle density infill projects) pay the same rates as those requiring significant new infrastructure investments. This type of structure fails to incentivize development in areas of cities that have capacity to accommodate growth by making better use of existing physical and social infrastructure.

Setting zone-based DC's will reduce the cost of development in existing neighbourhoods with infrastructure and service capacity, while increasing the cost of development in areas with in areas that require more significant infrastructure investment.<sup>7</sup> This change will ensure that DCs are reflective of the true costs of servicing a new development. Municipalities including Ottawa, Brampton and Kitchener have all implemented zone-specific development charges and/or area-based DC incentives to help promote growth in more location-efficient areas.

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<sup>5</sup> Bailey, Tetyana and Case, Cheryll (2017). Protecting the Vibrancy of Residential Neighbourhoods. Available at: <https://cpplanning.ca/project-work>

<sup>6</sup> Ministry of Municipal Affairs (June 12, 2017). Second Units Info Sheet. Accessed at: <http://www.mah.gov.on.ca/Page16444.aspx> (January 23, 2019).

<sup>7</sup> The Pembina Institute (2012). Live Where You Go. Available at: <https://www.pembina.org/reports/live-where-you-go.pdf>

## **Recommendation 7: Mandate a lower cap on parkland dedications fees for medium and high-density developments.**

At medium and high-density sites, parkland dedication fees can become a significant barrier to development. In some cases, parkland dedication fees can exceed the value of the actual development site.<sup>8</sup>

Toronto has updated its parkland dedication policies for high-density development sites, and its approach offers a model for amending the Planning Act. In Toronto, instead of the typical requirement of setting aside five percent of the overall area, the alternative rate is 0.4 hectares dedicated per 300 units. The city has also capped cash-in-lieu payments based on the size and value of a development site.<sup>9 10</sup>

### **Increasing the supply of purpose-built rental units:**

Over the past decade, the supply of purpose-built rental units has only marginally grown. In the GTA, between 2007 and 2016 supply only increased by 2,394 units (from 314,519 units to 316,913 units).<sup>11</sup> Instead, the rental market has become significantly more reliant on condos rented through the secondary market. Condo units rented through the secondary market do not offer the same level of tenure stability, are susceptible to being removed from the rental market, often come with more amenities and a higher monthly rent, can intentionally be left vacant by the owner, and can be rented on short-term rental platforms instead of to residents of Ontario.

Scaling up the delivery of purpose-built rental housing will help ensure that the many Ontarians who do rent have a variety of options in the market, and are more likely to find an apartment that is affordable to their budget and sustainable over the long term.

## **Recommendation 8: Defer collection of development charges for purpose-built rental units until they have been completed and successfully rented.**

Purpose-built rental buildings often do not generate the same return on investment for developers as condo projects.<sup>12</sup> One opportunity to improve the financial case for rental buildings is to defer collection of development charges for a unit in a rental-building until it is successfully rented. This reduces the upfront development costs for rental buildings, making them more financially competitive.

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<sup>8</sup> John Ghent, "Revisiting the Formula," *Ontario Planning Journal*, 27, no. 1 (2012).

<sup>9</sup> City of Toronto (2019). Parkland Dedication. Available at: <https://www.toronto.ca/city-government/planning-development/application-forms-fees/building-toronto-together-a-development-guide/parkland-dedication/> (accessed January 21, 2019).

<sup>10</sup> City of Toronto (2014). *Toronto Municipal Code Chapter 415: Development of Land* (2014). [http://www.toronto.ca/legdocs/municode/1184\\_415.pdf](http://www.toronto.ca/legdocs/municode/1184_415.pdf)

<sup>11</sup> Evergreen, Ryerson City Building Institute (2017). Getting to 8,000. Available at: [https://www.evergreen.ca/downloads/pdfs/2017/Gettingto8000\\_Report-web.pdf](https://www.evergreen.ca/downloads/pdfs/2017/Gettingto8000_Report-web.pdf)

<sup>12</sup> Evergreen, Ryerson City Building Institute (2017). Getting to 8,000.

**Recommendation 9: Set a provincial target of building 8,000 purpose-built units per year in the GTA. Establish a target for other markets in Ontario.**

The provincial government should set annual targets for the delivery of new purpose-built rental units for markets across Ontario, and work with municipalities to create plans to meet these targets. Just as municipalities are required to show they have sufficient land available to build new housing, they should demonstrate how they are working to deliver sufficient purpose-built rental units.

**Recommendation 10: Require municipalities to ‘fast track’ purpose-built rental building development applications.**

Many municipalities already fast-track certain types of development applications. For example, through its Gold Star program, the City of Toronto expedites applications for industrial, commercial office, and institutional planning and building projects.<sup>13</sup> Extending such a service to rental buildings can help make them a more attractive development opportunity.

**Increasing the supply of larger ‘family-friendly’ units delivered in existing urban areas:**

While condo/apartment development is at an all-time high in the GTA, it has primarily delivered one-bedroom and studio units to the market. Between 2012 and 2017 only 40% of the new condo/apartment units brought to market in the GTA had two or more bedrooms.<sup>14</sup> By comparison, between 1990 and 1999, 67% of condo/apartment units had two or more bedrooms.<sup>15</sup>

Larger units are important as they provide families and larger households with housing options, and they allow individuals to reduce their housing costs by living with roommates. They also allow individuals to age-in-place and/or downsize. However, large units can be difficult for developers to sell, and this has led them to prioritize the development of smaller units.

**Recommendations 11: Set minimum two- and three-bedroom unit requirements for developments with more than 40 residential units.**

The City of Toronto’s secondary plan for Downtown Toronto set minimum requirements for two- and three-bedroom units (equalling a total of 40% of the overall unit-mix in

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<sup>13</sup> City of Toronto (2019). Business Expansion and Location Assistance. Available at: <https://www.toronto.ca/business-economy/business-operation-growth/business-expansion-and-location-assistance/> (January 23, 2019).

<sup>14</sup> Ryerson City Building Institute and Urbanation (2017). Bedrooms in the Sky. Available at: <https://www.citybuildinginstitute.ca/wp-content/uploads/2017/11/FINAL-BedroomsInTheSky.pdf>

<sup>15</sup> Ryerson City Building Institute and Urbanation (2017). Bedrooms in the Sky.

developments with more than 80 units).<sup>16</sup> These requirements were set to help ensure a more balanced mix of unit types and sizes. Similar requirements, informed by demographic data, should be required in all municipalities to ensure that a mix of unit types and sizes are delivered in all markets.

**Recommendation 12: Provide development charge deferrals for two- and three-bedroom units to delay their payment until occupancy.**

Developers have noted that two- and three-bedroom units can take longer to sell than smaller units and that this makes large units less attractive to build.<sup>17</sup> Deferring development charges for large units until occupancy will help make these units more financially attractive to developers by reducing their upfront costs.

**About the Ryerson City Building Institute:**

*At the Ryerson City Building Institute, we envision a future in which all cities are prosperous, equitable, environmentally sustainable and resilient. In collaboration with the Ryerson community and external partners, we produce public policy research and share insights addressing diverse urban challenges to promote healthy neighbourhoods, cities and regions, starting with the GTHA. We are recognized for our accessible approach to knowledge mobilization, our multi-disciplinary perspective, and for providing leadership and dialogue that motivates action on important issues.*

**About the Atmospheric Fund**

*The Atmospheric Fund (TAF) is a public agency established in 1991 by the City of Toronto and endowed by the City and the Province of Ontario. TAF works closely with stakeholders across the Greater Toronto and Hamilton Area (GTHA) to test and advance innovative programs to reduce greenhouse gas (GHG) emissions and air pollution. However, the views expressed in this submission do not necessarily represent those of the City of Toronto, the Province of Ontario or other GTHA stakeholders.*

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<sup>16</sup> City of Toronto (2018). Amendment 406 to the Official Plan. Available at: <https://www.toronto.ca/legdocs/bills/2018/bill1109.pdf>

<sup>17</sup> Lorinc, John (2018). Priced Out of the Housing Market. *University of Toronto Magazine*. Available at: <http://magazine.utoronto.ca/research-ideas/culture-society/priced-out-of-housing-market-affordability-crisis/>