

Increasing Housing Supply in Ontario: Five Priority Actions

Experts, the industry and governments all agree that Ontario's current housing crisis is firmly rooted in insufficient housing supply.

The provincial government has committed to implementing the recommendations of the Housing Affordability Task Force (HATF) to enable the construction of 1.5 million homes over the next decade. This would be approximately double the current rate of housing starts in the province.

The following recommendations would result in:

- a fair and equitable funding model that supports growth but reduces costs incurred by individual new homeowners;
- sustainable improvements in approval time frames and the delivery of more housing to Ontarians; and
- certainty as to availability of land designated to support growth, with necessary infrastructure in place.

In support of this objective, the Ontario Home Builders' Association (OHBA) and its member local associations, are collectively providing their top priorities to the provincial government as it begins to bring forward successor legislation to Bill 109, *More Homes for Everyone Act, 2022*.

These priorities are based on both the recommendations of the HATF and forward-thinking initiatives that are intended to lower housing costs and increase housing supply for Ontario residents.

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Make homes more affordable by speeding up approval times and eliminating red tape.

Most municipalities in Ontario experience delays in development approvals for building new homes beyond the reasonable regulated time frames. These delays can last years and add significant costs to the price of a new home. Every year that a municipality delays an approval decision costs home buyers an additional \$36,000 for a typical low-rise home and an additional \$26,000 for a typical high-rise apartment. To address the issues of delays and the escalating costs they add to new homes, we recommend:

- Establish and enforce reasonable time frames for new home construction approvals.

The bold measures brought in by Bill 109 were meant to address the impact of municipal delays on the cost and delivery of new housing. However, municipalities have publicly indicated that they will simply decline development applications rather than adapt and implement the measures of Bill 109 that were intended to reduce the delays and costs of building new homes. Therefore, as recommended by the HATF, the province should work with its agencies, municipalities and the industry to develop mechanisms that will ensure approvals meet defined legislated time frames. This work should be completed and implemented by June 2023.

- Track and reward success by tying infrastructure funding to housing starts.

To further address the issue of lengthy approval timelines that add to the cost of building housing, the province must link municipal access to infrastructure funding to meeting new housing start targets, as set out in the province's Growth Plan. Furthermore, the province should work with municipalities to digitize and modernize the approvals process, which will make it easier for the government and industry to track all of its aspects.

- Properly resource the agency that settles disputes.

Municipal delays have forced many in the industry to appeal to the provincial agency that settles development disputes, the Ontario Land Tribunal (OLT). The magnitude of delays has created a substantial backlog, which is adding time and costs to the building of new homes. As the province works to solve the issues of approval timelines, it must in parallel provide additional resources to the OLT. These additional resources will help to clear the backlog of cases and free up the resulting additional housing.

Add certainty to the cost of building a new home by addressing out of control development fees.

In Ontario, up to 25% of the cost of a new home is composed of fees, taxes and charges imposed by the government. Over half of these fees, taxes and charges are imposed by municipal governments. Municipal levies on new homes have increased by 300%-1000% since 2004. In addition, in some municipalities, new policies like Inclusionary Zoning (IZ) will add up to \$60,000 per unit in hidden costs to a new homeowner. This will bring the burden of government-imposed fees and taxes to over 30% of the cost of a new home. All of these fees are passed onto the homebuyer to the benefit of governments. Through these fees and charges, municipalities have amassed large reported surpluses. For example, in the GTA alone, these surpluses are in excess of \$5 billion.

To address this, we recommend:

- Immediately freeze parkland cash-in-lieu and development charges to an “inflation plus costs” model across all municipalities for a period of two years while a new funding model is developed to support investment in growth and communities. During this period, require municipalities that have amassed large surpluses to use these funds for the intended purpose, which is infrastructure development.
- As part of the new model, identify what types of investments municipalities can make using parkland and development fees, and cap the amount of reserves municipalities can accumulate, with exceptions permitted at the discretion of the Minister.
- Limit interest rates on frozen development charges to no higher than the municipality’s borrowing rate.
- Recognize that the obligation to provide affordable units under policies like IZ is a broad community responsibility and must be supported by the wider tax base, not solely on the backs of new homeowners, and exempt any project that include IZ units from development charges, parkland charges and Community Benefit Charges. This would incent the building of these units and offset costs, which would otherwise be absorbed by market-based units and thereby increase costs for those units.
- During the transition to a new IZ regime, do not approve any official plans that would have the effect of bringing an IZ policy into force (e.g. Protected Major Transit Station Areas).

Make new lands available to build housing.

Home supply and costs are dependent on land availability, and the supply of available lands designated for growth across municipalities is dwindling rapidly. Similarly, the addition of new housing within existing communities is severely restricted by municipal zoning. This prevents the addition of supply and drives up costs for Ontario residents. As a result, land values for serviced lots across the province have increased, and in some cases have tripled or quadrupled, adding hundreds of thousands of dollars to the cost of a new home.

To address this, we recommend the following changes to the identification and delivery of land supply to build more housing.

- The province identify housing as “provincially significant infrastructure” and amend the *Planning Act* and the Provincial Policy Statements to set “growth in full spectrum of housing” and “intensification within existing built up areas,” especially along transit corridors.
- The province require municipalities to allow as-of-right zoning in a greater variety of circumstances to ensure that the delivery of housing units matches or exceeds anticipated demand, particularly in urban areas. This will also increase the efficient use of provincially and municipally funded infrastructure and services.
- Facilitate the conversion of employment zones and commercial land to include residential development, while protecting employment requirements.
- Ensure that urban boundary expansions are not defined by regional governments, unless they are a true representation of provincial priorities and local market realities, and that ultimate decisions on boundary expansion are defined and approved by the provincial government.
- Designate white belts surrounding major Ontario cities as reserves for future growth to provide stability and predictability of land supply.
- Enable farmland severances to build housing.
- Require population and employment growth projections in a municipality’s growth management strategy to match the projections of the Ministry of Finance.

4 Lay the groundwork for future growth.

The supply of housing is highly dependent on critical services and transportation infrastructure. Prolonged delays of infrastructure projects, such as those experienced with the GTA West Corridor (Highway 413) and the Upper York Sewage Solution, delay and threaten the delivery of much-needed housing.

To address this, we recommend:

- Identify significant infrastructure projects that are vital to the supply of new housing as provincial priorities.
- To maximize provincial and municipal investments in infrastructure, increase density requirements both within existing urban areas and areas affected by municipal boundary expansion.
- Limit the ability for environmental assessment and other regulatory tools to be used as mechanisms to block necessary growth infrastructure for spurious reasons.
- Eliminate or substantially reduce municipal minimum parking requirements. Let the free market decide.

5 Take the politics out of planning.

There is a strong incentive for individual municipal councillors to get behind community opposition to growth and development, because they are elected by existing residents, not future residents. In addition, various designations and forums are open to misuse as a means to slow or block development. This can lead to local decisions that limit the ability to add housing and commercial spaces, as was recognized by the HATF in its recommendations.

To address this, we recommend:

- That the province restore the right of developers to appeal Official Plan Reviews and Municipal Comprehensive Reviews.
- Prevent abuse of the heritage preservation and designation process by: a) prohibiting the use of bulk listing on municipal heritage registers b) prohibiting reactive heritage designations after a *Planning Act* development application has been filed.