

BILD & OHBA HOUSING POSITION STATEMENT

The Greater Toronto Area (GTA), Ontario and Canada have a housing crisis that stems from a historic undersupply of new housing and limitations to the speed and scale that housing can be added to the market. Constrained housing supply is counterpoised against rapid population growth that is increasing demand.

PROGRESS HAS BEEN MADE:

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| <p>1. There is now a broad consensus, supported by the public, industry, and all levels of government that a significant increase in housing supply is urgently needed to address affordability and support the continued economic development of the GTA region and the province.</p> | <p><i>Ontario has provincial objective of building 1.5 million homes by 2031, with nearly 50% being in the GTA to try to restore affordability.</i></p> |
| <p>2. The province and municipalities have established housing targets. These are supported by municipalities, and include progress reporting requirements and there is a growing recognition that municipal processes and zoning must evolve to support new housing.</p> | <p><i>The province assigned housing targets to 21 selected lower-tier and single-tier municipalities who have a population projected to be 50,000 or more by 2031.</i></p> |
| <p>3. There is a recognition that added costs from government fees, taxes and charges, which add 25% to the cost of an average home in the GTA drive housing costs and contribute significantly to the affordability crisis.</p> | <p><i>The provincial government introduced a cap on Parkland Cash-in-Lieu payments and introduced measures to slow the increase of municipal development charges.</i></p> |
| <p>4. Purpose-built rental (PBR) is playing an increasingly important role in Canada's housing stock. It is under represented as a housing form and the economic challenges of building PBR are becoming better understood by policy makers.</p> | <p><i>In September 2023, federal and provincial government announced that they would be removing the GST/HST on new rental construction.</i></p> |
| <p>5. There is more municipal and provincial focus on increasing levels of gentle density as a way to increase housing supply.</p> | <p><i>As-of-right, up to 3 units per lot in many existing residential areas which supersedes local municipal official plans and zoning by-laws.</i></p> |

HOWEVER:

The debate has shifted from whether more housing supply is necessary to the “how” and “where” this housing is to be built. As seen in 2023, the discussions are increasingly focusing on intensification “or” greenfield development when we need both.

There is insufficient new land designated to support the growth of housing that is required to meet anticipated population growth that the GTA will see by 2051.

Since 2019, there has been significant inflation to the cost of construction due to increasing labour and material costs. Between Q1 2019 and Q1 2023 construction costs for a typical **single family home** have increased by 85% and by 64% for **high rise apartments**.¹

Doubling the housing starts in the GTA and Ontario, to achieve the number of houses required to achieve the provincial objective of 1.5 million homes will require a massive increase in the number of skilled workers in the construction sector and a dramatic increase in workforce productivity. Based on a recent study, the workforce needs to expand to between 111,000 to 195,300 jobs in the construction sector in Ontario to meet the provincial objective.²

The rapid increase in Bank of Canada interest rates halved the pace of housing pre-construction sales in the GTA in 2023 to the lowest level since 1995.³ Pre-construction sales pre-date housing starts by up to 2 years, meaning slow sales will, in turn, slow the addition of new supply in the future. According to CMHC, annual housing starts were down seven per cent across the country in 2023 compared to 2022, to 223,513 and this trend is continuing into 2024.⁴ This will result in an increasing gap between supply and demand when interest rates begin to cool.

Municipal development and building approvals still take too long. Average approval times in the GTA are higher than any other part of Canada, are measured in years, and have been getting progressively worse since 2020.⁵

Unnecessary and duplicate approvals and studies add months and years to approvals. A sustainable solution must be introduced. There is consensus that change is required, but what that change is remains unclear.

WHAT THE FACTS TELL US:

Since 2018, BILD has commissioned and published 20 third party studies that examine the factors and underlying conditions impacting housing affordability and supply in the Greater Toronto Area and Ontario. A summary is available at bildgta.ca/news-resources/industry-reports/

This third party research tells us that the provincial objective of building 1.5 million new homes by 2031 and restoring affordability will not be achieved unless:

1. Adequate and predictable land supply is to be made available for the construction of new homes.
2. There is a broad recognition by all stakeholders that provincial housing objective will not be achieved through intensification alone. Both greenfield development and intensification are required.
3. There is a concerted effort to expand the current workforce from a skilled labour perspective and to enhance the productivity of the workforce through new processes, tools and automation.
4. Housing supportive infrastructure is prioritized by all levels of government. Infrastructure bottlenecks that are an impediment to the addition of housing must be identified, triaged and addressed using the lens of maximum housing unit gains per project.
5. Faster municipal approvals are achieved to enable getting shovels in the ground faster. This will also limit the added cost to new housing resulting from lengthily approvals.
6. There is a recognition that the concept of “growth pays for growth” has reached its maximum and the resulting levels of government charges on new homes is eroding affordability. Municipalities cannot be expected to absorb the cost of new housing supportive infrastructure on their own, nor can the cost be reasonably assumed exclusively by new home owners or the industry. A new funding solution is required.

¹Altus Group - Construction Cost Escalation

²<https://www.bildgta.ca/wp-content/uploads/2024/02/FINAL-Use-It-Optimizing-Municipal-Development-Pipelines-February-2024.pdf>

³https://www.bildgta.ca/wp-content/uploads/2024/01/Altus-Data-Solutions-media-backgrounder-December-2023_pp.pdf

⁴<https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-data/data-tables/housing-market-data>

⁵<https://www.bildgta.ca/wp-content/uploads/2022/09/Municipal-Benchmarking-Study-2022.pdf>

BILD & OHBA POLICY RECOMMENDATIONS

1. Speed up approvals

Re-examine the fee refund provisions of Bill 109 while maintaining the policy objective to build homes faster. This should include removing the fee-refund provisions of Bill 109 that have resulted in municipal workarounds (that have actually worsened approval timelines), while imposing workable rules related to reasonable requirements for the pre-application process. Any re-examination should also include revisiting collaborative discussions on how to enhance and find efficiencies in the application approvals process. Municipalities should also be encouraged to prioritize and grant faster approvals to meritorious applications.

2. Identify land supply for growth

Make adequate and predictable land supply available for new homes and employment spaces to support short, medium and long term growth.

3. Enhance housing and employment infrastructure

Municipal housing supportive infrastructure (especially water and waste water) is one of the most critical development enablers and bottlenecks in the GTA.

a. Introduce “Use it” rather than “lose it” policies

As opposed to introducing potentially restrictive “lose it” policies, the industry suggests that provincial agencies, local energy service providers, municipalities and the industry work together to focus on supportive “use it” policies as it applies to servicing allocation. It is imperative to understand any barriers to building, to look for ways to enhance the delivery of existing infrastructure, and to determine potential new ways of bringing efficiency to planning for future infrastructure needs of growing communities.

b. Develop a new model for funding communities

Rapidly expanding housing supportive infrastructure to enable the building of homes to levels required to meet the provincial objective requires a new funding model to be developed and a recognition that the concept of “growth pays for growth” has reached its maximum capacity. Municipalities cannot absorb the costs, and passing the costs on to new homebuyers (as is currently the model), erodes affordability and ignores the fact that all residents benefit from the new infrastructure and services. The province must launch discussions between municipalities, industry and relevant ministries to identify and implement new community funding models (including the funding model for schools) for development and growth.

c. Prioritize infrastructure projects on a per-housing unit gain basis

Implement a process to identify housing supportive infrastructure bottlenecks that are impediments to the addition of housing must be identified, triaged and addressed using the lens of maximum housing unit gains per project.

4. Adopt an implementation focus

Recognizing the many pieces of legislation and policy introduced in the various Housing Supply Action Plan iterations, efforts should now be focused on municipal implementation, and that the province participate in the monitoring of that implementation to ensure that municipalities support provincial objectives.

5. Broaden HST exemption to include in-construction purpose built rental projects (Federal and Provincial)

In the interest of securing immediate supply of rental housing in Canada, the GST/HST rebates that were announced in September 2023 need to apply to the 128,000 units currently under construction. Without this change, projects are being halted, contemplated for conversion to condo, or the capital will not return to the PBR pipeline because the return on the original project was not realized, so the future supply is jeopardized.

6. Enable delegated authority to municipal staff for decisions on minor variances to stream-line Committee of Adjustment process

In order to accelerate infill housing projects and speed the addition of multiplexes within existing communities, provide the authority within the Planning Act for municipalities to have the ability to delegate the responsibility for decisions on minor variance to staff for less complex applications. This will reduce the back log and time delays associated with the Committee of Adjustment process in major municipalities and speed the approval for in-fill housing projects.