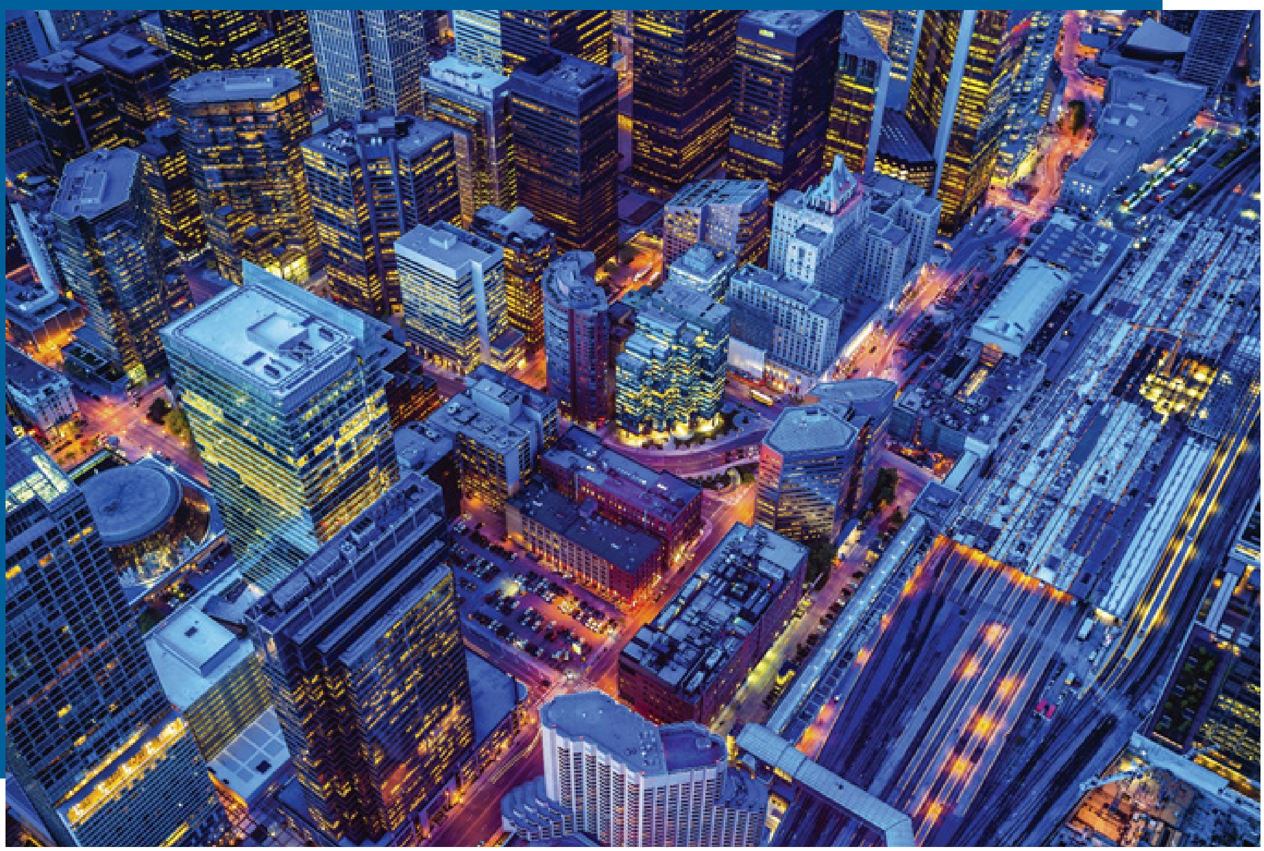
Expanding Housing Supply and Improving Housing Affordability in the GGH Are Pipedreams Without an Ample Inventory of Shovel-Ready Sites



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*The opinions expressed in this research report are those of the authors only and do not represent the opinions and views of either CUR or Toronto Metropolitan University.

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Executive Summary

This paper examines the findings of two recent reports – referred to as the Eby and the RPCO reports - that suggest the Greater Golden Horseshoe (GGH) has enough land to accommodate its share of the Ontario government's target of building 1.5 million housing units over the decade ending in 2031. These conclusions are inconsistent with our research which shows that a shortage of approved and serviced sites significantly contributes to the housing shortage and rising prices.

The Eby and RPCO reports do not address the land supply critical for constructing new housing – ***sites ready to be built on with appropriate zoning and servicing in place, that is, shovel-ready land***. The zoning must be such that builders find it financially attractive to build, and the servicing (e.g., trunk sewer and water infrastructure) must be readily available. Instead, the reports look at the capacity of lands designated for housing regardless of where they are in the planning process and when they will become available for development.

It will be impossible to increase the supply of new housing significantly, thus easing housing prices and rents in the GGH, without ample shovel-ready sites to accommodate much-needed building activity.

Disaggregated information in the RPCO report is used to approximate the supply of shovel-ready land by unit type in 2022.[1] The requirement for new housing is derived by the authors of this report by combining an available forecast of household growth ("Hemson") with the estimated shortfall in new housing construction over the past 15 years ("Dunning"). This Hemson/Dunning forecast of housing requirements is smaller than the Province's annual target for 24 GGH municipalities.

The shovel-ready land supply by unit type is compared to the requirement under the **Provincial Policy Statement 2020** (PPS) that municipalities must maintain a minimum of a three-year supply of shovel-ready land at all times (in reality, a minimum of four years with annual monitoring).

Our findings are as follows:

- There is a severe shortage of shovel-ready land for ground-related housing – single-detached and semi-detached houses and townhouses. The years' supply is just 1.9 years compared to the required minimum of 4.0 years under the PPS with annual monitoring;
- Currently, the inventory of shovel-ready land for ground-related housing is in a serious deficit of 4,817 net hectares (10,346 net acres) to satisfy the PPS's minimum inventory requirement.; and
- The supply of shovel-ready sites for apartments exceeds the minimum PPS requirement.

As noted, the average annual housing requirement used in the analysis is smaller

[1] The combination of unbuilt sites in registered subdivision plans, land in draft approved subdivision plans and site plans executed, endorsed or approved in principle is the closest proxy available for shovel-ready land. The reality is an unknown portion of these lands are likely a year or more away from being available for housing construction to begin.

than the GGH's share of the Province's 1.5-million-unit target for the 2021-2031 decade. Applying the Province's target would increase the shortage of shovel-ready land.

Steps are being made in the right direction through the Province's implemented and proposed initiatives to significantly increase the GGH's supply of new housing faster. This is being done by simplifying the planning system and encouraging more land to be available for housing in both built-up areas through intensification and on greenfield lands. There is merit in several key initiatives, including:

- Establishing ambitious housing targets for 24 of the largest and fast-growing municipalities in the GGH;
- Encouraging intensification around transit stations;
- Encouraging gentle densification in existing lower-density communities (referred to as the yellow belt in the city of Toronto); and
- Simplifying the land use planning process to expedite development applications (e.g., combining the PPS and the Growth Plan for the Greater Golden Horseshoe into a new single planning policy document).

The apparent shortcomings of the Province's initiatives include (a) a failure to disaggregate its municipal housing targets by unit type, and (b) not monitoring municipal compliance with the PPS's policy requiring municipalities to maintain an ample supply of shovel-ready lands in both built-up and greenfield areas at all times.

As such, the Province should:

- Put more emphasis on increasing the supply of affordable options which are closer substitutes to ground-related housing (e.g., stacked townhomes, garden apartments and quadruplexes) than high-rise apartments; and
- Make maintaining an ample supply of shovel-ready land by unit type by municipalities a high priority of the provincial government. That is, municipalities must monitor their shovel-ready land inventories regularly in compliance with the **Provincial Policy Statement** (Policy 1.4.1b).

A final observation. The analysis in this paper is based on the **minimum** shovel-ready land requirement of the PPS. Our research suggests a need for a minimum shovel-ready inventory of five to six years with annual monitoring to provide a competitive land marketplace allowing for choice and uncertainty about the future.

Background

We were surprised when two recent reports concluded that there is sufficient land designated, or in the development approval process, to accommodate the Province's ambitious target of building 1.5 million new homes (annual average of 150,000) across Ontario during the 2021-2031 decade and 1,057,000 new homes (yearly average of 105,700) in 25 of the GGH's 110 municipalities.

- The **Eby report** concluded that municipalities in the GGH had an existing land capacity in 2021 of more than double the Province's targets for 25 of the 110 GGH municipalities;[2] and

- The **RPCO report** concluded the existing supply of approved and proposed land in the development approval process for housing in Ontario in 2022 could exceed the 1.5-million-unit target of the Province. Indeed, it calculated the GGH had a 14.8-year supply of residential land (all unit types combined) in the development approval process in 2022.[3]

Unfortunately, neither report addresses the land supply critical for constructing new housing – ***sites with appropriate zoning and servicing (i.e., shovel-ready).*** The zoning must be such that builders find it financially attractive to build and the servicing (e.g., trunk sewer and water infrastructure) readily available.

Sites must be shovel-ready to expand the supply of new housing quickly. Shovel-ready is a concept frequently used for industrial land. For example, the City of Hamilton planners define shovel-ready in a staff report dealing with the city's Shovel Ready Industrial Lands Initiative:

> "What is a 'Shovel Ready' site? Basically, it is a site that already has the necessary designation, zoning, permits, and servicing/utility infrastructure in place."[4]

As an adjunct, the Hamilton planners also recognize the need to have a range of industrial land options to attract businesses in different locations:

> "It is important to have a number of industrial land options to meet the needs of relocating or expanding businesses in different locations within the City…"

Residential land is no different. Building more housing to accommodate the need, provide choice, and ease price and rent increases always requires an ample inventory of sites ready for new construction.

No provincial requirement exists for municipalities to maintain an ample supply of shovel-ready sites for new housing. The closest we have is the land supply delineated in Policy 1.4.1b) of the **Provincial Policy Statement 2020** (PPS) instructing municipalities to**:**

> "Maintain at all times where new development is to occur, land with servicing capacity sufficient to provide at least a three-year supply of residential units available through lands suitably zoned to facilitate residential intensification and redevelopment, and land in draft approved and registered plans."[5]

We have adopted this land supply measure as it is the closest proxy for shovel-ready land

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[2] Kevin Eby. "Review of Existing Housing Unit Capacity in Municipal Land Needs Assessments Prepared for Upper- and Single-Tier Municipalities in the Greater Golden Horseshoe." The Alliance for a Liveable Ontario, February 2023. Referred to here as the Eby report.

[3] Regional Planning Commissioners of Ontario. "Regional Planning Commissioners of Ontario Issue Inventory of Ontario's Unbuilt Housing Supply." News Release and Media Package. March 7, 2023. Referred to here as the RPCO report.

[4] Tim McCabe. "Shovel Ready Industrial Lands Initiative Update (PED08028) (City Wide)." Hamilton Information Report, December 12, 2007.

[5] Ministry of Municipal Affairs and Housing, "Provincial Policy Statement, 2020". 2020. Policy 1.4.1b)

available.[6] Thus, shovel-ready land for this paper consists of sites with servicing capacity that are suitably zoned to facilitate residential intensification and unbuilt land in registered subdivision plans and lands in draft-approved subdivision plans.

Until the RPCO report, ***comprehensive, uniform data on the shovel-ready residential land supply for municipalities in the region centered around the city of Toronto had not been available since 2003***. As a result, for almost two decades from 2004 to 2021, there was not a region-wide collection of shovel-ready land or lands in the development process.[7] The RPCO report breaks its GGH land supply into components, including registered unbuilt, draft-approved, and site plans with executed agreements or site plans endorsed or approved in principle (referred to as shovel-ready land in this paper).

This paper assesses the adequacy of the RPCO report's shovel-ready land supply to accommodate the Province's ambitious housing targets for the GGH applying the years' supply policy of the PPS (Policy 1.4.1.b). It also examines the land supply's adequacy by unit type against a lower housing requirement forecast we formulated, which addresses household growth and housing underproduction over the past 15 years. The years' supply of shovel-ready land is calculated with the land supply in the numerator and the future average annual new housing production in the denominator.

The bottom line is that GGH municipalities must accelerate the transformation of lands intended for housing into a shovel-ready land supply if housing production is to be increased significantly, the range of new housing broadened, and price and rent pressures reduced.

The Eby and RPCO reports focus on the wrong land supply measures

Both the Eby and RPCO reports define land supply much broader than the shovel-ready supply to assess the land supply's adequacy to accommodate housing production annually during the 2021-2031 decade.

- **The Eby report** examines the GGH's potential supply of land in greenfield and build-up areas to accommodate housing without regard to the financial viability of building new housing now or during the 2021-2031 decade or the timing of the land may be developed, which may be after 2031:

  "The existing capacity for new housing in Built-Up Areas (BUA), Designated Greenfield Areas (DGA), and rural areas at the time the LNAs for the upper- and single-tier municipalities in the GGH were completed exceeded 2.0 million units. This existing capacity does not include capacity associated with any new lands added to urban areas through the recently completed conformity updates to official plans, or additional lands

[6] It should be noted in previous CUR reports we have labeled this land supply measure as the "short-term land supply").

[7] CMHC and the Ministry of Municipal Affairs funded a survey of residential lands by stage of the planning process for municipalities within the Greater Toronto Area (GTA) for several years between 1994 and 2003. See: Frank Clayton, "A Fair Inventory of Short-Term Residential Land in the GTA according to the Latest Data: So, What's the Problem?" CUR. December 22, 2021.

removed from the Greenbelt to accommodate new housing." (p. iii)

- **The RPCO report** tabulates the number of approved and proposed housing units in the development approval process in the GGH. Its land supply includes:
    - **Registered unbuilt units:** Registered plans of subdivision with no building permits issued. Site plans with executed agreements.
    - **Draft approved units:** Draft approved plans of subdivision. Site plan endorsed/approved in principle.
    - **Under application/proposed units:** Proposed site plans. Proposed plans of subdivision.
    - **Ministerial Zoning Order**: Approved MZO housing units.

The RPCO report also includes a "proxy" of 150,000 accessory units in its land inventory.[8] As noted, we approximate shovel-ready land by combining registered unbuilt and draft-approved units from the RPCO report.

David Amborski, in a 2016 CUR study, examined the relevant land supply concept to determine the causes of escalating housing prices in the GTA. He concluded that looking at the amount of vacant land designated in Official Plans (the Eby approach) is inappropriate since the lands may not be available in the short or medium term. He stated that short-term (called shovel-ready here") land is what is relevant:

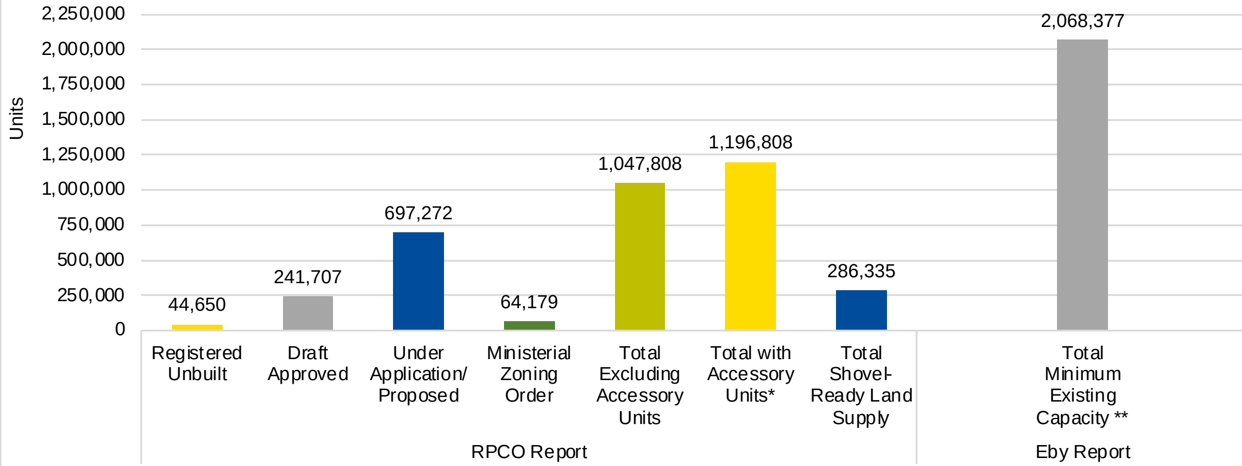
> "Consequently, economists argue that the relevant supply to consider is land that has been approved and serviced for new housing. This is the relevant land supply for short-term housing production. Much of the "designated land" is years away from obtaining servicing allocations and obtaining subdivision approvals."[9]

Shovel-ready residential land supply in the GGH (all unit types)

Figure 1 shows the RPCO report's land supply by component, with and without the proxy of 150,000 accessory units, and the total land supply from the Eby report, both for the GGH.

[8] We suggest that the 150,000 accessory units estimated in the RPCO Report greatly exceeds a reasonable forecast of units added during 2021-2031. An analysis of housing supply data from CMHC and the Census of Canada suggests that new accessory units are much smaller than an average of 15,000 units per year and are offset by conversion losses, especially in the city of Toronto. See Frank Clayton. "Greater Golden Horseshoe Housing Supply: Several Oddities When Comparing CMHC and Census of Canada Data." CUR Blog, May 24, 2022.
[9] David Amborski. "Affordable Housing and Land Supply Issues in the Greater Toronto Area (GTA)." CUR report, November 4, 2016

Figure 1: Land for Unbuilt Units Approved or in the Approval Process in the Greater Golden Horseshoe, 2022, Units



*The RPCO Report includes 150,000 units in the land inventory as a "proxy" for accessory units added to exisitng houses.
**CUR categorizes shovel-ready supply unbuilt units in registered plans of subdivision and site plans with executed agreements plus units in draft approved plans of subdivision and site plan endorsed/ approved in principle.

Source: CUR, based on RPCO Report

Highlights - RPCO and Eby reports:

- The total supply of approved and proposed housing in the development approval process in the GGH municipalities examined, according to the RPCO report, is 1,047,808 units, excluding an allowance for accessory units, and 1,196,808 units with a “proxy” for accessory suites;
- The Eby report’s land supply figure for the GGH is much higher at 2,068,377 units; and
- The GGH shovel-ready land supply at 286,335 units is much less than the totals in both reports. Shovel-ready land was:
    - Only 27.6% and 23.9%, respectively, of the RPCO report’s total supply with and without the accessory units included; and
    - Only 13.8 percent of the total land supply as cataloged in the Eby report.

The bottom line is that the total land supplies, as presented in the RPCO and Eby reports, overstate the amount of land ready to be built on (shovel-ready land) by a significant amount.

Housing targets/requirements in the GGH (all unit types), 2021-2031

We focus on the new housing projected to be required in Ontario and the GGH during 2021-2031. Four different future housing calculations are considered:

- **Province of Ontario**
  The Province’s target of 1.5 million new homes built over ten years originated with the Ontario Housing Affordability Task Force. The Task Force Chair called

this target ambitious but achievable.[10] However, there were no targets for subareas of the Province in the Task Force's Report.

In a bulletin dated October 25, 2022, the Province assigned 2021-2031 housing targets to 29 fast-growing and large lower-tier and single-tier municipalities which are projected to have a population over 100,000 by 2031.[11] The targets apply to 24 of the 110 GGH municipalities. [12] **The 24 GGH municipalities' targets amount to 1,057,000 units, or 70.5% of the provincial total**.

- **Smart Prosperity Institute (SPI)**

  A subsequent Smart Prosperity Institute (SPI) study concluded that the 1.5 million units target over a decade is a reasonable forecast of housing needs in the Province.[13] It divides the 1.5 million units between a pre-existing shortage of 471,500 homes in 2021 and 1,034,900 homes to keep up with population growth.

  A housing target for the full GGH can be derived from the study as it projected net housing supply needs for the 2021-2031 decade by census division. Unlike the Province's targets which cover 24 GGH municipalities, the SPI forecast of housing needs encompasses all 110 municipalities. **The GGH total for 2021-2031 is 1,218,400 units, 151,400 more than the Province's target for 24 municipalities in the GGH**.

- **CMHC**

  CMHC undertook research to determine how many housing units would be needed between 2021 and 2030 to accommodate demographic changes and restore affordability in 2030 to what it was in 2003-2004 for Canada and each province.[14] As a result, it was forecast that 3.53 million additional housing units would be needed in Canada and 1.85 million units would be needed in Ontario. **The CMHC figure is 350,00 more than the Ontario government's target of 1.5 million units**.

- **Hemson/Dunning**

  Hemson Consulting Ltd. (Hemson) prepared GTA growth forecasts for the Ministry of Municipal Affairs and Housing, including household forecasts by type of housing unit occupied.[15] The forecasts were for three decades, including 2021-2031 and disaggregated by municipality. **A growth of 710,300**

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[10] Report of the Housing Affordability Task Force, February 8, 2022, Letter to Minister Clark. There is no support in the report for how this target was derived other than that it will get more homes built and address housing affordability.
[11] Environmental Registry of Ontario. "2031 Municipal Housing Targets." October 25, 2022.
[12] Eighty-six municipalities in the GGH were not assigned targets.
[13] Mike Moffatt, Alison Dudu, and Maryam Hosseini, "Ontario's Need for 1.5 Million More Homes." Smart Prosperity Institute, August 2022.
[14] CMHC, "Canada's Housing Supply Shortages: Estimating What Is Needed to Solve Canada's Housing Affordability Crisis by 2030. June 2022.
[15] Hemson Consulting Ltd. "Greater Golden Horseshoe: Growth Forecasts to 2051." Ministry of Municipal Affairs and Housing. August 26, 2020.

households in the GGH over 2021-2031 was projected.

Will Dunning Inc. (Dunning) prepared estimates of housing underproduction by unit type for census metropolitan areas (CMAs) across Canada for the 15 years ending in mid-2021.[16] **For the nine CMAs within the GGH, the cumulative underproduction is an estimated 150,489 units.** Dunning estimates there has been a sizeable underproduction of single-detached and semi-detached houses. In contrast, apartments (large) and townhouses (small) were overproduced.

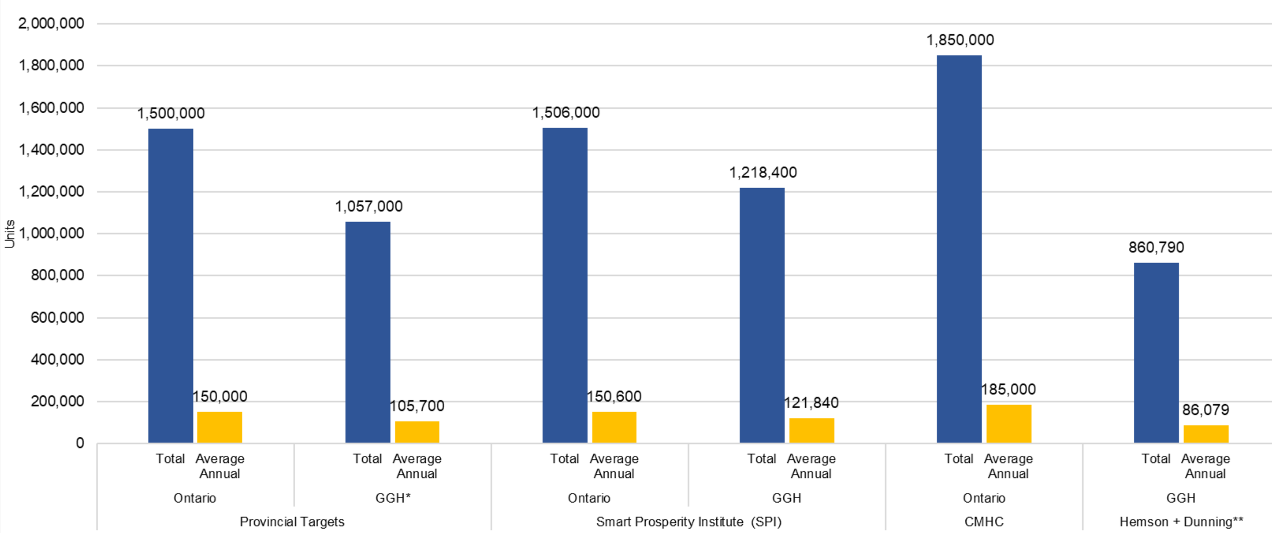
As a proxy for the new housing required to accommodate household growth and eliminate the past housing undersupply by 2031, the Hemson and Dunning estimates are added and referred to here as "housing requirements".

Figure 2 summarizes the various targets and forecasts and converts them to average annual figures. We focus on the two series for the GGH, namely the SPI and the Hemson/Dunning forecasts.

Highlights:

- Housing supply additions in the GGH under the SPI forecasts average 121,840 units per year during 2021-2031, some 16,000 more than the Province's combined targets for 24 GTA municipalities; and
- The housing requirements under the Hemson/Dunning forecasts average 86,979 units per year over the same period, 35,761 units less than the SPI

Figure 2: Total Housing Targets/Requirements in the Greater Golden Horseshoe (GGH), 2021-2031, Units



*Provincial targets for 24 of the 110 GGH municipalities
**Household growth from the Hemson Report and housing shortfall 2006/07 - 2020/32 divided by 10 from the Dunning Report

Sources: CUR, based on 2031 Municipal Housing Targets, SPI Report, Hemson Report and Dunning Report

[16] Will Dunning Inc. "Housing Production in Canada Has Fallen Far Short of the Needs of Our Growing Population. "May 2022.

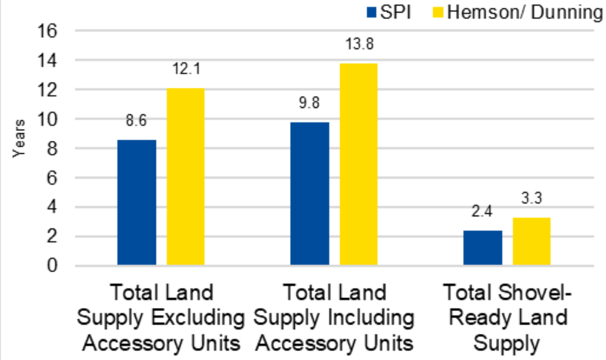
forecasts for the GGH (lower by 357,610 units over the entire decade).

Which forecast best portrays housing needs up to the year 2031? The truth likely lies somewhere between the SPI and Hemson/Dunning estimates. In our view, the Province's target and the SPI forecasts for 2021-2031 are aspirational and will be hard to attain. They require doubling new housing production from the past decade. On the other hand, the Hemson/Dunning forecasts appear on the low side. They do not allow for existing stock losses through demolitions, deconversions, or an allowance for the return to a more balanced market vacancy rate.[17]

Calculating the years' supply of shovel-ready land is straightforward: divide the supply of shovel-ready land at a point in time (e.g., year-end 2022) by the average annual housing needed to achieve a target or a forecast of housing requirements (e.g., the 2021-2031 decade).

Figure 3 provides years' supply for the total land supply estimated in the RPCO report, with and without accessory apartments, and for the shovel-ready land component (see Figure 1 for the land supply). The land supplies are converted to years' supply using the SPI and Hemson/Dunning average annual forecasts for 2021-2031.

Figure 3: Years' Supply of RPCO Report Land Under the SPI and the Hemson/ Dunning Forecasts in the Greater Golden Horseshoe, 2022*



*Years' supply calculated by dividing the respective land supplies by the average number of units targeted or required over the 2021-2031 decade

Source: CUR, based on Figures 1 and 2

Highlight:

- The GGH "shovel-ready" land supply for all types of units combined varies from 2.4 years of supply (SPI forecast) to 3.3 years (Hemson/Dunning forecast)

These estimates of years' supply are much less than the RPCO report years' supply of 14.9 years for the GGH using its total land supply and the Hemson forecast of requirements.

However, the analysis of the years' supply of shovel-ready land for all units, regardless of the type, is not very meaningful since households do not regard all housing types as close substitutes.[18] For example, a household desiring but unable to afford a single-detached house may opt for a townhouse since these unit types share similar attributes (e.g., a ground entrance, a garage, a small lawn, or a patio). In contrast, a one-bedroom unit in a high-rise building does not share

[17] The net of losses from the existing housing stock and additions to the existing and through the conversion of non-residential buildings to residential is called net replacement demand.

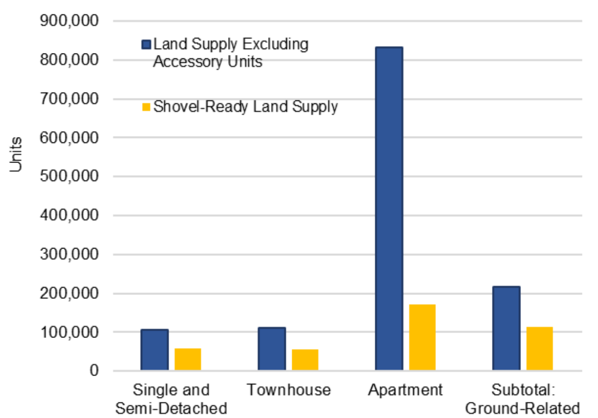
[18] Frank Clayton. 'GTHA 2021-2051 Land Needs Forecasts Lack Viable Alternatives to Single-Detached Houses'. CUR. August 9, 2022.

these attributes and it may also have other negativities such as a smaller floor area.

Shovel-ready residential land supply in the GGH by unit type

Figure 4 presents the shovel-ready land supply based on data in the RPCO Report by unit type: single-and semi-detached houses, townhouses, and apartments. While the total inventory numbers, with and without accessory units, are included, only the shovel-ready land supply is discussed here (the yellow bars).

Figure 4: Land for Unbuilt Units and Shovel-Ready Land Inventory in the Greater Golden Horseshoe by Unit Type in 2022



Source: CUR based upon the RPCO Report

Highlights:

- Apartments with 172,563 units are the most significant component of the total shovel-ready land supply (60%), followed by about equal numbers of single-and semi-detached houses and townhouses (58,575 and 55,220 units, respectively).
- **Sixty percent of the shovel-ready land supply is land for apartments, with 40% being for ground-related housing (single- and semi-detached houses and townhouses).**

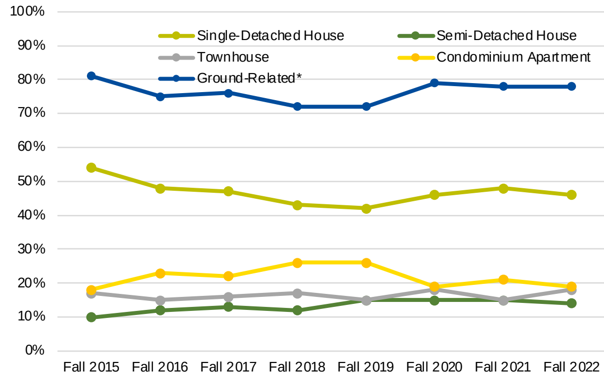
Housing requirements in the GGH by unit type, 2021-2031

There is no doubt that recent homebuyers and intending buyers in the GGH continue to have a strong innate preference for ground-related homes, especially single-detached houses.[19] At least half of recent first-time buyers in the GTA purchased a ground-related home.[20] This pattern is consistent with a June 2022 Bank of Canada report that showed that in recent years house price trends in Canada have increased more rapidly in the suburbs than in downtown areas.[21]

[19] Frank Clayton. "What Kinds of Housing Are Homebuyers or Intending Homebuyers in the GTHA Choosing?" CUR research report, June 28, 2022.
[20] According to a Statistics Canada survey 49% of GTA first-time buyers purchased a ground-related home in 2018. A survey conducted for Sagan in early 2021 had a much higher percentage – 76%.
[21] Frank Clayton, "Narrowing the Housing Price Gap Between the Suburbs and Downtown Toronto: Demand or Supply Driven in the Future?" CUR Blog. September 15, 2022.

The penchant for ground-related housing in the GTA, especially single-detached housing, is supported by eight annual surveys conducted by the market research firm Ipsos for the Toronto Regional Real Estate Board. GTA buying intentions by type of housing from these surveys are presented in Figure 5.

Figure 5: Type of Home Most Likely to Be Purchased by Likely / Very Likely Buyers



*Ground-related include single and semi-detached houses plus townhouses

Source: CUR, based on TRREB, "A Look Ahead at GTA Housing, Infrastructure and Sustainability," February 2023

Highlights:

- Single-detached houses are the preferred housing for about half of intending buyers in the GTA.

  Between 46% and 54% of intending buyers state they are most likely to buy a single-detached house. The proportion has been 46%-48% during the last three years.

- Nearly two-thirds of intending buyers state a preference for single-detached and semi-detached houses.

- Analysts often combine single-detached and semi-detached houses since smaller-lot single-detached houses and semi-detached houses are close substitutes. Adding semi-detached houses raises the buying intentions for combined single- and semi-detached houses over the latest three years to 60% - 63% of all home types.

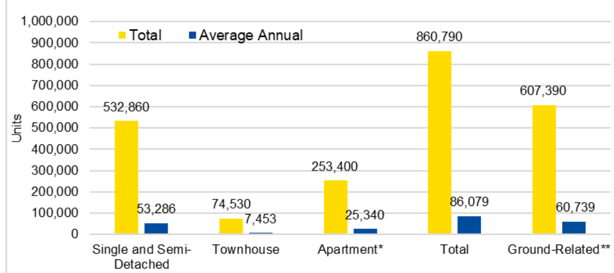
- Some 75%-80% of intending buyers opt for ground-related homes.

  Townhouses are regarded as a close substitute by many buyers unable to afford single- or semi-detached houses. Over the past eight years, the vast majority of intending buyers opt to purchase a ground-related home – a townhouse if not a semi-detached or single-detached house.

- Condominium apartments are preferred by 20%-25% of intending buyers.
  The proportion of intending buyers most likely to purchase a condominium apartment varies between 18% and 26% over the past eight years and 19%-21% over the latest three years.

The Hemson/Dunning forecast for the GGH supports the Ipsos survey findings for the GTA. Average annual requirements for new housing by unit type over the 2021-2031 decade are shown in Figure 6.

Figure 6: Hemson/Dunning Target or Requirement for New Housing in the Greater Golden Horseshoe by Type of Unit, 2021-2031, Units



*Includes accessory units
**Ground-related include single- and semi-detached houses plus townhouses

Source: CUR Based on Hemson and Dunning Reports

Highlights:

- Single and semi-detached houses dominate the housing type requirements in the GGH.

  Under this forecast, an average of 53,286 units of singles and semis will be required per year in the GGH. This number amounts to 62% of the total housing requirement during the 2021-2031 decade.

- Ground-related housing accounts for 70% of future housing requirements in the GGH.

  The combined single- and semi-detached houses and townhouses account for seven of ten new homes required during the 2021-2031 decade, according to the Hemson/Dunning forecast.

- The remaining 30% of housing requirements are apartments.

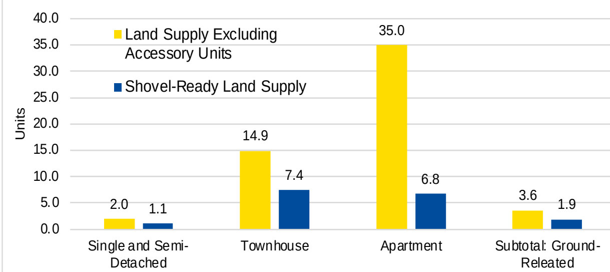
Like the Ipsos survey results, apartments lag behind ground-related homes as the desired housing type for households during the 2021-2031 decade. Apartments include various structural types, from stacked townhouses to high-rise apartments. Experience points to building a preponderance of high-rise apartment structures over low-rise structures, which are more competitive to ground-related housing types for households facing affordability issues.

We expect there will be a shift in apartment preferences to missing middle types like stacked townhouses and low-rise apartment buildings. Still, most new housing requirements up to 2031 are anticipated for ground-related housing types.

Years' supply of shovel-ready land in the GGH – unit types

Figure 7 illustrates the years' supply of shovel-ready land in the GGH (the yellow bars). The land supply is the numerator, and average annual requirements under Hemson/Dunning is the denominator. The years' supply is also presented but not discussed for the RPCO Report's total land inventory by unit type (the blue bars)

Figure 7: Years' Supply of Land Under the Hemson/ Dunning Forecasts in the Greater Golden Horseshoe by Unit Type, 2022*



*CUR categorizes as shovel-ready supply unbuilt units in registered plans of subdivision and site plans with executed agreements plus units in draft approved plans of subdivision and site plan endorsed/ approved in principle

Source: CUR, based on Figures 4 and 5

Highlights:

- The years' supply of shovel-ready land for single- and semi-detached houses is a low 1.1 years;
- The years' supply of shovel-ready townhouse land is larger at 7.4 years;
- Combining the single-detached and semi-detached houses and townhouses (ground-related housing), the years' supply of land is 1.9 years; and
- The years' supply of shovel-ready land for apartments is 6.8 years.

Evaluating the adequacy of the shovel-ready land supply by unit type against the benchmark of the Provincial Policy Statement 2020

The current housing affordability difficulties in the GGH are not unique and have occurred in the past; the most recent being in the late 1980s and early 1990s. Then, there was a recognition by successive provincial governments that an insufficient supply of shovel-ready land for a range of housing types restricted housing supply and contributed to poor affordability.

Provincial Policy Statements date back to 1989, when the **Provincial Policy Statement for Housing** was released. This statement aimed to ensure an ample supply of residential lands for ground-related housing in response to supply shortages starting in 1986.

Key attributes of the most current PPS policy (2020) covering what we call shovel-ready land are summarized in Figure 8.

Figure 8: Municipal Responsibility for Maintaining Ample Supplies of Shovel-Ready Residential Land, Provincial Policy Statement Policy 1.4.1b

Definition of Shovel-Ready Land*	• Built-up areas - suitably zoned & serviced to facilitate intensification/redevelopment • Greenfields - vacant land in registered subdivision plans & in draft approved plans
Requirement	• To maintain at least a 4-year supply of shovel-ready land: o Minimum of 3-year supply at all times = 4 years with annual monitoring o Minimum means minimum - more is better
Target	• Appropriate range of housing options & densities to meet projected market-based and affordable housing needs

*The term "shovel-ready" is what the authors of this paper label the required 3-year land supply at all times under this policy
Source: CUR based on the Provincial Policy Statement 2020

Under Policy 1.4.1b) municipalities must:

> "Maintain at all times where new development is to occur, land with servicing capacity sufficient to provide at least a three-year supply of residential units available through lands suitably zoned to facilitate residential intensification and redevelopment, and land in draft approved and registered plans."[22]

Thus, municipalities must maintain at least a three-year land supply "at all times." This policy translates into a minimum four-year land supply if supply adequacy is monitored annually.

The PPS also states that upper-tier and single-tier municipalities may choose to substitute land with servicing capacity of "at least a five-year supply of residential units available" for a minimum three-year supply at all times. Adopting this policy would mean a requirement for a minimum supply of six years instead of the required minimum of four years with annual monitoring.

[22] Ministry of Municipal Affairs and Housing (2020). "Provincial Policy Statement 2020", 16

Policy 1.4.3 relates to the mix and appropriate range of housing options and densities to meet projected market-based and affordable housing needs:

> "Planning authorities shall provide for an appropriate range and mix of housing options and densities to meet projected market-based and affordable housing needs of current and future residents."[23]

The **Proposed Provincial Planning Statement** released by the Ministry of Municipal Affairs on April 6, 2023, under policy 2.1.1b) retains the provision for municipalities to maintain at least a three-year supply of shovel-ready land for housing at all times:

> "maintain at all times where new development is to occur, land with servicing capacity sufficient to provide at least a three-year supply of residential units available through lands suitably zoned, including units in draft approved or registered plans."[24]

While not explicit, it is presumed the requirement for a minimum three-year supply of land at all times refers to lands in built-up and greenfield areas.

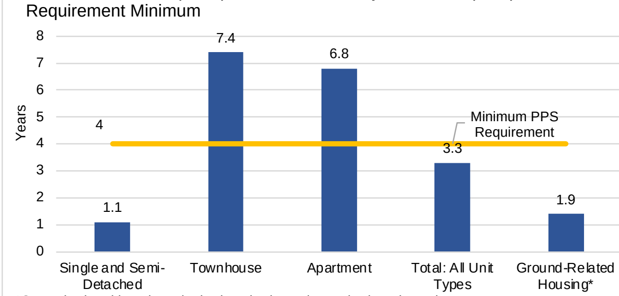
Policy 2.2.1a) and b) state that municipalities are to address a "full range of housing options" to meet current and future residents' social, health, economic and well-being requirements.[25]

Regrettably, since the mid-2000s, provincial governments have not enforced municipal compliance with the shovel-ready land adequacy provision of the **Provincial Policy Statement** to the detriment of the housing supply and affordability. Ensuring municipalities address policy 1.4.1b) of the PPS and the new **Provincial Planning Statement's** inclusion of a similar policy is a must if a deficiency of shovel-ready land is not to be the cause of housing shortfalls.

The shortfall of shovel-ready land by unit type expressed in years' supply of units

Figure 9 assesses the adequacy of the years' supply of shovel-ready land in the GGH presented in Figure 7 against the minimum of four years' requirements with annual monitoring under Policy 1.4.1.b) of the PPS.

Figure 9: Year's Supply of Shovel-Ready Residential Land in the Greater Golden Horseshoe (GGH) vs Provincial Policy Statement (PPS) Requirement Minimum



*Ground-related housing: single-detached, semi-setached, and townhouse

Source: CUR, based on data in Figure 7

Highlights:

- The supply of GGH's shovel-ready land (1.1 years) falls far short of the PPS's minimum requirement of three years at all times (effectively four years with annual monitoring) – a 72.5% shortfall;

[23] Ibid.
[24] MMAH, "Proposed Provincial Policy Statement." April 6, 2023.
[25] The term "housing options" is defined to include a wide range of housing types.

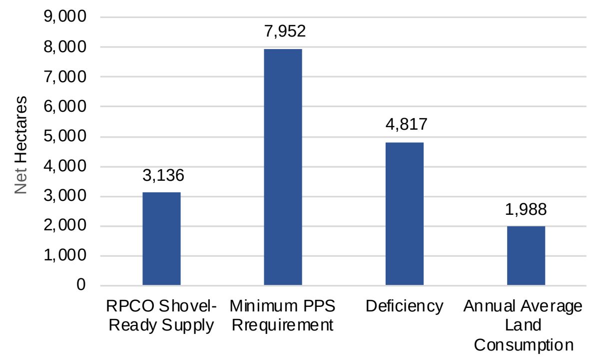
- The years' supply of shovel-ready land for townhouses is a more plentiful 7.4 years;
- However, combining the sizeable shortage of single- and semi-detached house land with the more ample supply of townhouses (the ground-related housing supply) yields a years' supply of 1.9 years - less than 50% of the minimum requirement under the PPS; and
- The years' supply of shovel-ready land for apartments is 6.8 years. Unfortunately, data are not separated out for missing middle formats of apartments (e.g., stacked townhouses and other low-rise apartment structures).

The deficiency in the years' supply of shovel-ready lands for ground-related housing would be even greater under the Province's housing targets for GGH municipalities.

The existing shortfall of shovel-ready land expressed in net hectares of land

Figure 10 converts the shortfall in units by type to net hectares of land required for ground-related housing to reach the minimum requirements of the PPS for shovel-ready land (effectively a minimum of four years).

Figure 10: Estimated Shortfall of Shovel-Ready Residential Land Supply in the GGH from Minimum PPS Requirements, 2022, Net Hectares



Source: CUR, based on data Figure 2 & 4 and Ottawa Greenfield Residential Land Survey - mid 2021.

The shortfall in the GGH's current shovel-ready inventory of land for ground-related housing is substantial:

- The current inventory of shovel-ready land for ground-related housing is an estimated 3,136 net hectares (7,749 net acres) – 4,187 net hectares (10,346 net acres) short of the 7,952 net hectares (19,649 net acres) required to meet the PPS's minimum four years with annual monitoring.
- Moreover, this minimum of 7,952 net hectares (19,649 net acres) must be constantly replenished as land is consumed yearly.
- Some 1,988 net hectares (4,912 net acres) of greenfield lands will need to be added to the shovel-ready land inventory annually until 2031 to meet the Hemson/Dunning requirement for new ground-related housing.

Policy implications of the current deficiency and future need for shovel-ready land in the GGH

The Challenge

The challenge of meeting the need for shovel-ready sites in built-up and greenfield areas in the GGH is tremendous with the Hemson/Dunning forecast of housing requirements (an average of 86,979 units per year), let alone meeting the Province's target of 105,700 units per year for 24 municipalities on average. Moreover, the decade started with a sizeable shortage of shovel-ready land for ground-related homes. This land deficiency must be addressed by (a) a one-time boost in the supply of shovel-ready lands to address the current shortfall and (b) municipalities continually adding to the "shovel-ready supply" as land is consumed, to ensure the quantity and range of housing units required are to be provided and increases in price and rents lessened.

What the Ontario Government is doing to address the challenge

The Provincial Government recognizes the urgent need for more shovel-ready land to be made available much faster than in the past to address these housing challenges. Therefore, it has and continues to implement numerous land-use planning changes to achieve this result.

- **Ontario's Housing Action Plan (May 2019)**[26]
  This housing action plan outlined the initiatives the Province intended to cut red tape to make it easier to build the right types of housing in the right places by cutting red tape and making housing more affordable.

- **Ontario Housing Affordability Task Force (February 8, 2022)**[27]

  The Task Force presented the Government with a list of options to get more homes built and help housing affordability. In addition to recommending the target of creating 1.5 million homes over a decade, recommendations included requiring greater density, reducing and streamlining urban design rules, depoliticizing the planning process and cutting red tape, and supporting municipalities that commit to transforming the planning system.

- **Bill 3, Strong Mayors, Building Home Act, 2022**
  Given Royal Assent on September 8, 2022, this Act gave the mayors of Toronto and Ottawa more powers to work with the Province to reduce timelines for development, standardize processes and address local barriers to increasing the housing supply.

[26] Ontario Ministry of Municipal Affairs and Housing. "More Homes, More Choice: Ontario's Housing Action Plan." May 2019.
[27] Ontario Affordable Housing Task Force, op. cit.

- **More Homes, Built Faster: Ontario's Housing Supply Action Plan 2022-2023**

  The plan was implemented through Bill 23, the More Homes Built Faster Act, which received Royal Assent on November 26, 2022.

  This plan was intended to reduce government fees and fix development approval delays by encouraging gentle density in existing urban areas, more housing near transit hubs and identifying more land for housing. It also established housing targets for 29 of the province's largest and fastest-growing municipalities and provided more affordable housing options.

- **Proposed Provincial Planning Statement 2023**, April 6, 2023

  The Province is proposed significant changes to simplify and expedite the land use planning process. An important change is to consolidate the Growth Plan for the Greater Golden Horseshoe and the Provincial Policy Statement into a single document to be called the Provincial Planning Statement. The proposals are out for public comment until June 5, 2023.

Assessment of the Province's Initiatives to Increase the Housing Supply and Attack the Affordability Problem

The Province's implemented and proposed initiatives to significantly increase the GGH's supply of new housing faster by simplifying the planning system and encouraging more land to be available for housing in both built-up areas through intensification and greenfield areas, are steps in the right direction. There is particular merit in several key initiatives, including:

- Establishing ambitious housing targets for 24 GGH largest and fast-growing municipalities;
- Encouraging intensification around transit stations;
- Encouraging gentle densification in existing lower-density communities (referred to as the yellow belt in the city of Toronto); and
- Simplifying the land use planning process to expedite development applications, e.g., combining the Provincial Policy Statement and the Growth Plan for the Greater Golden Horseshoe into a new single planning policy document.

The apparent shortcomings of the Province's initiatives include (a) a failure to disaggregate its municipal housing targets by unit type as specified in the PPS, and (b) not monitoring municipal compliance with the PPS's policy requiring municipalities to maintain an ample supply of shovel-ready lands in both built-up and greenfield areas at all times. As such, the Province should:

- Put more emphasis on increasing the supply of okay options which are closer substitutes to ground-related housing than high-rise apartments.

  The municipal housing targets for 2021-2031 could usefully be split into the following housing types:

  - Single- and semi-detached houses;
  - Townhouses;
  - Multiple missing middle units, including stacked townhouses, low-rise apartments (e.g., four storeys or less), duplexes (including accessory suites), triplexes and quadruplexes;
  - Mid- and high-rise apartments.

  The multiple missing-middle unit types are more likely to attract buyers preferring but unable to buy a single-detached house than a high-rise apartment.

- Make the maintenance of an ample supply of shovel-ready sites by unit type a high priority for municipalities.

Housing cannot be constructed without land approvals and servicing in place. Therefore, an ample supply of shovel-ready sites to accommodate expected or targeted demand by unit type is crucial if more housing of the types and densities needed are to be built. Consequently, it is imperative that municipalities maintain updated inventories of their shovel-ready lands by unit type, and they maintain the years' supply of shovel-ready land required by the Provincial Policy Statement (Policy 1.4.1b).

Conclusion

The information contained in the RPCO report for the year 2022 is used to approximate the supply of shovel-ready land by unit type in the GGH. The requirement for new housing is derived by the authors by combining an available forecast of household growth ("Hemson") and the estimated shortfall in new housing construction over the past 15 years ("Dunning"). This forecast of housing requirements is smaller than the Province's annual target for 24 GGH municipalities.

The shovel-ready land supply by unit type is compared to the requirement under the **Provincial Policy Statement 2020** (PPS) that municipalities must maintain a minimum of a three-year supply of shovel-ready land at all times (in reality, a minimum of four years with annual monitoring).

Our findings are as follows:

- There is a severe shortage of shovel-ready land for ground-related housing – single-detached and semi-detached houses and townhouses. The years' supply is just 1.9 years vs the required minimum of 4.0 years under the PPS with annual monitoring;
- Currently, the inventory of shovel-ready land is in a deficit of 4,817 net hectares (10,346 net acres) to satisfy the PPS's minimum inventory requirement. However, much more land will be required to accommodate growth; and
- The supply of shovel-ready sites for apartments exceeds the minimum PPS requirement.

As noted, the average annual housing requirement used in the analysis is smaller than the GGH's share of the Province's 1.5-

million-unit target for the 2021-2031 decade. Use of the Province’s target would swell the shortage of shovel-ready land.

A final observation. The analysis in this paper is based on the **minimum** shovel-ready land requirement of the PPS. Our research suggests a need for a minimum shovel-ready inventory of five to six years with annual monitoring to provide a competitive land marketplace allowing for choice and uncertainty about the future.

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