

July 31, 2020

Sandra Bickford
Ontario Growth Secretariat
777 Bay St, Suite 2304
Toronto, ON
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Dear Ms. Bickford,

We at the Centre for Urban Research and Land Development ("CUR") at Ryerson University appreciate the opportunity to provide feedback on the proposed land needs methodology for *A Place to Grow: Growth Plan for the Greater Golden Horseshoe* ("Proposed Methodology"). The Proposed Methodology goes a long way toward addressing the deficiencies of the 2018 Methodology and we congratulate the Ministry on this. We hope that this submission will help make the land needs forecasts more in step with future demographic and market requirements than in the past, with the goal of making housing more affordable throughout the region.

Our key comments and recommendations for improving the Proposed Methodology are twofold:

- **Enforcing municipal compliance with policy 1.4.1 of the Provincial Policy Statement (PPS) is the single biggest action the Province can take to improve housing affordability**

Municipalities must be made aware of the paramount importance of Policy 1.4.1 and its proper interpretation. The Proposed Methodology should incorporate directions for monitoring municipal residential land use supply in both the short- and medium-term, to ensure municipalities are compliant with Policy 1.4.1. The Ministry should provide municipalities with a format for this reporting and require that it be completed at least annually; and

- **Municipalities should be required to disaggregate housing needs by housing type. CUR recommends that a "missing middle" housing type be added to the two housing types addressed in the latest Hemson forecasts for the GGH, at the very least**

Municipalities must break down housing requirements by unit type in order to ensure an ample supply of ready-to-go sites in designated built-up and greenfield areas for a better mix of housing options to meet future demographic and market demand. Thus, the Proposed Methodology should remove the word "can" and replace it with "must" regarding splitting housing requirements by unit type by municipalities.

In addition, there is a need to define a category of housing often referred to as "missing middle", which offers ground-related alternatives to single-detached houses and is generally preferable to units in high-rise apartment buildings.

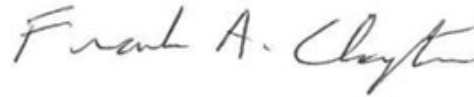
As well, examining housing and land requirements by unit type is critical to quantifying the amount of housing to be built in designated built-up and greenfield areas, respectively. Built-up areas will largely accommodate apartments and greenfield areas will accommodate lower-density housing forms.

We would be pleased to respond to any questions you might have regarding our submission and continue to help the Ministry in its efforts to significantly increase the supply of housing by unit types to help moderate upward pressure on home prices and rents in the GGH.

Sincerely,



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CUR Submission: Proposed Land Needs Assessment Methodology for A Place to Grow: Growth Plan for the Greater Golden Horseshoe

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The opinions expressed in this research report are those of CUR only and do not represent the opinions and views of Ryerson University.

CUR SUBMISSION: PROPOSED LAND NEEDS ASSESSMENT METHODOLOGY FOR A PLACE TO GROW: GROWTH PLAN FOR THE GREATER GOLDEN HORSESHOE

We at the Centre for Urban Research and Land Development (“CUR”) at Ryerson University appreciate the opportunity to provide feedback on the proposed land needs methodology for *A Place to Grow: Growth Plan for the Greater Golden Horseshoe* (“Growth Plan”)¹ (“Proposed Methodology”).² We hope that this submission will help make the land needs forecasts more in step with future demographic and market requirements than in the past, with the ultimate goal of making housing more affordable throughout the region.

Background on CUR and our research

The mission of CUR is to enhance the use of economic analysis and market understanding in urban policy formulation and evaluation throughout the Greater Golden Horseshoe (“GGH”). Our research has continually demonstrated that an ample supply of ready-to-go serviced sites to accommodate the demand for a range of new housing types in both built-up areas and designated greenfield areas is a prerequisite to combating the region’s housing affordability challenges. Improved housing affordability is also a precondition for the GGH economy to achieve its economic growth potential over the longer-term.

The Proposed Methodology is a big step in the right direction

We have been a critic of the 2018 Land Needs Methodology (“2018 Methodology”) which focuses only on forecasting total housing units required to meet future demand, without a break down by housing type. Determining residential land needs without considering the unit types required guarantees continued housing shortages, with a worsening in affordability. This will promote the movement of households further from jobs to find lower-priced, ground-related homes, resulting in longer commutes and traffic congestion.

Our submission to the Ministry of Municipal Affairs and Housing at the time the draft of the 2018 Methodology was circulated for review identified three critical deficiencies and made the following recommendations:

- The residential land needs analysis should incorporate housing types;
- The differing roles of designated built-up areas and greenfield areas in the provision of housing should be recognized; and
- Monitoring the supply of residential land by planning status, by servicing status and by unit type should be an integral part of the land needs analysis done by municipalities both in the short- and in the medium-term.

¹ Ministry of Municipal Affairs and Housing (2019). “A Place to Grow: Growth Plan for the Greater Golden Horseshoe.” [Online]. Available at: <https://www.ontario.ca/document/place-grow-growth-plan-greater-golden-horseshoe#:~:text=A%20Place%20to%20Grow%20is,a%20high%20quality%20of%20life>.

² Ministry of Municipal Affairs and Housing (2020). “Proposed Land Needs Assessment Methodology for A Place to Grow: Growth Plan for the Greater Golden Horseshoe.” [Online]. Available at: <https://ero.ontario.ca/notice/019-1679>, June 16, 2020.

The Proposed Methodology goes a long way toward addressing the deficiencies of the 2018 Methodology and we congratulate the Ministry on this. However, our February 28, 2018 submission to the Ministry remains relevant since the final version of the 2018 Methodology only partially incorporates our recommendations. (A copy of our prior submission is appended to this submission.)

In our view, municipal compliance with Policy 1.4.1 of the provincial policy statement is the single biggest action needed to improve housing affordability

A significant gap between the Proposed Methodology as drafted and its objectives is that it does not incorporate an annual monitoring provision to ensure municipalities are in conformity with the minimum land supply by unit type targets expected under Policy 1.4.1 of the Provincial Policy Statement (“PPS”):

- **We are glad to see the recognition of the interlinked relationship between serviced land supply, market demand and affordability.**

The purpose of the Proposed Methodology is on the mark: that is, to ensure there is a sufficient and appropriate mix of land available to accommodate all market segments to avoid housing shortages throughout the GGH, while accounting for demographics, market demand and concerns related to housing affordability.

We are presuming a “sufficient and appropriate mix of land” refers to the range of additional housing units by unit type required to meet future household demand in each municipality;

- **We support instructing municipalities to regard the population forecasts in Schedule 3 of the Growth Plan as minimum forecasts.**

According to Proposed Amendment 1 to the Growth Plan,³ population forecasts in Schedule 3 are the base line (minimum) to be used by municipalities, but municipalities are free to develop a higher population forecast if they demonstrate they can provide a range of housing to meet market-based demand.

This is a sound approach and the end result should be a larger supply of residential sites over the forecast horizon than if, as in the past, municipalities were not permitted to plan for more growth than earlier versions of Schedule 3 allowed; and

- **We support requiring municipalities to address the short- and medium-term residential land needs under Policy 1.4.1 of the Provincial Policy Statement (PPS).** In the Proposed Methodology, municipalities are not only to meet the full requirements of Amendment 1 to the Growth Plan, but are also required to meet the provisions of PPS

³ Ministry of Municipal Affairs (2020). “Proposed Amendment 1 to A Place to Grow: Growth Plan for the Greater Golden Horseshoe.” [Online] Available at: <https://ero.ontario.ca/notice/019-1680#:~:text=In%20May%202019%2C%20changes%20to,Ontario's%20Housing%20Supply%20Action%20Plan>, June 16, 2020.

Policy 1.4.1, which requires minimum land supply for the short-term (at least three years) and for the medium-term (at least 15 years) “at all times”.

Municipalities must be made aware of the paramount importance of Policy 1.4.1 of the PPS and its proper interpretation

Our research has demonstrated that municipalities have either been ignoring Policy 1.4.1 or have been interpreted it to apply to the total supply of land instead of supply by unit type. They have also regarded the three years requirement (as well as the previous 10 years, now 15 years) as targets to be achieved and not as a minimum for land supply. In addition, municipalities have ignored the requirement that at the very least the minimum targets are to be maintained “at all times”. Thus, for example, if a municipality reviews its land supply against the policy in the PPS annually, this means the minimum land supply targets in the PPS are really four years (short-term) and 16 years (medium-term), not three years and 15 years, respectively.

- **Monitoring municipal compliance with Policy 1.4.1 of the PPS.** Municipalities should be required to undertake regular reviews of the adequacy of their land supply in relation to the requirements of Policy 1.4.1 of the PPS. This should be conducted by unit type with the explicit recognition of the need to maintain, at all times, a minimum supply of ready-to-go sites for at least three years and a minimum supply of 15 years of land to accommodate residential growth.

These calculations and reporting to the Ministry should be added as a requirement to the Proposed Methodology. We suggest that the Ministry provide municipalities with a format for this reporting and that it be done at least annually.

We would like to see a category for “missing middle” housing be incorporated in the methodology by housing type

In our view, disaggregating total housing requirements into two housing types is a marked improvement over ignoring housing types altogether, but a minimum of three housing types is more appropriate:

- The Proposed Methodology states that municipalities “can” rather than “must” break housing need down by dwelling type (“i.e., ground-related versus high-rise”). This breakdown is similar to that utilized by Hemson Consulting in its June 2020 forecast report prepared for the Ministry.⁴ Hemson splits its housing forecast between apartments and ground-related housing units. This methodology does not provide enough of a breakdown and may support a higher tilt towards more high-rise developments than may be needed. If we use the Census of Canada definitions, the term “apartments” includes all units in apartment buildings, whether they are in a building

⁴ Hemson Consulting Ltd. (2020). “Greater Golden Horseshoe: Growth Forecasts to 2051. Technical Report Prepared for the Ministry of Municipal Affairs and Housing.” [Online] Available at: <https://www.hemson.com/wp-content/uploads/2020/06/HEMSON-Schedule-3-Forecasts-FINAL-16JUN20.pdf>, June 16, 2020.

five-storeys or more or under five-storeys. Hemson defines all other unit types as ground-related.⁵ It is not clear if the Proposed Methodology is recommending municipalities follow Hemson’s designation of housing types into either “ground-related” or “apartments” as it uses the term “high-rise apartments” rather than “apartments” (“low-rise apartments” are therefore missing from the indicated typology);

- There is much attention being paid to the need for more so-called “missing middle” housing types (townhouses, second suites, stacked townhouses, and other forms of low-rise apartments). New housing production has been skewed to high-rise apartments or single-detached houses since the Growth Plan was first implemented in 2006. Incorporating a more disaggregated breakdown in housing types will be key in targeting the provision of “missing middle” housing;
- It is our recommendation that municipalities be required to disaggregate housing requirements into unit type (“must” not “can”); and
- Further, we recommend that the following three housing types be required at a minimum:
 - **Lower-density:** single-detached and semi-detached houses;
 - **Mid-density (“missing middle”):** duplexes, townhouses, stacked townhouses and apartment buildings less than five-storeys; and
 - **Higher density:** apartment buildings of five or more storeys.

We support adjusting housing requirements for factors such as vacancy rates, market contingencies, and losses from the existing stock

Residential land requirements in general are higher than the growth in the number of private households by housing type alone would seem to require. The need for more new housing will occur: if the vacancy rate is lower than the rate required for a balanced market; if there are losses to the existing stock due to demolitions; or if there are post-secondary students present who are not permanent residents of the municipality. Allowing for a contingency factor (e.g., five or 10 percent of household growth) is appropriate to counter unexpected surges in demand or to allow for land that is ready for development, but it is being held off the market by owners.

In our view, municipalities should be strongly ‘encouraged’ to make these kinds of adjustments to household-based housing requirements, as opposed to being ‘allowed’ to.

⁵ Units classified as “ground-related” in the Hemson report include single-detached houses, semi-detached houses, townhouses (also referred to as “row-houses”) and duplexes (often single-detached houses with a second suite added).

We support allocating the forecasted housing requirements to the delineated built-up areas, designated greenfield areas, and other areas of municipalities such as rural settlements, and doing so by type of unit

The Proposed Methodology seems to suggest that municipalities should allocate housing requirements to designated built-up areas, designated greenfield areas and other areas like rural settlements, and doing so by type of unit, although this is not explicitly stated.

Allocating by unit type recognizes that (with some exceptions such as a golf course being redeveloped for housing), most of the housing built in built-up urban areas will be in the form of apartments and that most of the housing built in other locations, like greenfields, will be in the form of ground-related housing.

Our recommendation is that the Proposed Methodology should be modified to make it clear that these allocations should be done by unit types.

Clarifications needed

There are items in the Proposed Methodology where the text should be reviewed for improved clarity;

- **The text bounces back and forth between “housing need” vs “housing demand” vs “housing requirements”.** There is a need for consistent terminology. We suggest calling the quantum of new housing to be built “housing requirements”. The term “housing requirements” has long been used to refer to the addition of housing units needed to accommodate demographic growth, shifts in household composition and housing preferences. This term also encompasses other sources of housing needs such as a return to a normal vacancy rate and the replacement of demolished units, as well as the need for affordable housing units. This would also be consistent with the opening of Section 1.4.1 of the PPS, which refers to “...Projected requirements of current and future residents”;
- **Make it clear to municipalities that housing requirements must be forecast by unit type.** The reference to housing units by type is mentioned throughout the Proposed Methodology but is then weakened by use of the word “can” when referring to the forecasting exercises of the municipalities. We urge a change here from “can” to “must”. Otherwise some municipalities will continue to look at total housing requirements only, which is a critical shortcoming of the 2018 Methodology; and
- **We do not understand the fifth bullet in the section: “Community Area Land Needs Assessment”.** The bullet starting “Consider the range and mix of housing options” does not make sense to us.

Province's Proposed Land Needs Methodology Will Aggravate House Price Affordability in the GGH

Originally submitted to the Ministry of Municipal Affairs and Housing, Ontario Growth Secretariat on February 28, 2018

Re: Feedback on the Province's Proposed Methodology for Land Needs Assessment for the Greater Golden Horseshoe (GGH)

The Centre for Urban Research and Land Development (CUR) at Ryerson University welcomes this opportunity to provide a response to the Discussion Paper entitled *Proposed Methodology for Land Needs Assessment for the Greater Golden Horseshoe* (the Proposed Methodology).

CUR is an expert-led research centre, dedicated to formulating policies and solutions to address the concerns confronting urban growth and change within the Greater Golden Horseshoe, as well as to educating students to take leadership roles in these pursuits. Its orientation is founded on uniting economics and market analysis within the context and understanding of social and environmental considerations.

CUR researchers have extensive research experience and knowledge about the importance of maintaining a sufficient supply of serviced land for a range of housing types and locations to accommodate anticipated and unanticipated demands in the marketplace to help ensure housing affordability. We also have conducted numerous urban policy analyses examining the efficacy of policies to achieve their stated objectives without generating an array of unintended consequences.

Higher housing prices are a well-known and documented unintended consequence of supply shortages of serviced sites for new housing. To minimize these negative effects it is important that "shovel-ready" sites be available to meet the needs of a growing and changing population.

Background

CUR hosted a workshop on February 26, 2018 aimed at assessing the Proposed Methodology and recommending changes to enhance its outcomes and moderate undesirable negative housing market and economic consequences.

The workshop covered four topics:

- Ways to build a comprehensive land use methodology: looking at best practices;
- Assessing how the provisions in the Province's proposed methodology relate to best practices;
- Discussing the macroeconomic consequences of inadequate land needs assessment; and
- Making the Proposed Methodology more cognizant of economic and market realities, minimize undesirable negative impacts and still achieve Growth Plan objectives.

CUR research staff gave presentations dealing with these four topics. These presentations are attached in Appendix A. The workshop proceedings were also videotaped. The video can be accessed via this link: <https://ryecast.ryerson.ca/86/Watch/12314.aspx>

Three Key Recommendations for Modifications to the Proposed Methodology

The presentations included a number of observations on the limitations of the Proposed Methodology and recommendations for dealing with them which we hope will be reviewed by your team. There are three especially important recommendations that warrant very close consideration:

1) The residential land needs analysis should incorporate housing types

The 2017 Growth Plan is very clear - housing types matter. This point has been underscored by the experience in the GTHA since 2006. Market trends demonstrate that high-rise apartments are not regarded as close substitutes for single-detached houses by a substantial proportion of homebuyers. The marketplace has responded to the planning-induced reduction in the building of new houses and the planning-induced explosion in the high-rise apartment construction through escalating prices for houses which spread to semi-detached and townhouses as well.

To counter undesirable price increases for single-detached houses, the supply of closer substitutes for single-detached houses - townhouses, stacked townhouses and low-rise apartments - have to be increased considerably. This has not happened over the past decade and is unlikely to happen unless a shovel-ready supply of serviced sites is available to accommodate a surge in construction.

At a minimum, the Proposed Methodology should be modified to encompass land needs for the following housing types:

- Lower-density: single-detached and semi-detached houses;
- Mid-density: townhouses, stacked townhouses and apartment buildings less than 5 storeys; and
- Higher-density: apartment buildings of 5+ storeys.

There is nothing amiss about a well-supported public policy targeted at shifting the mix of new housing built to higher densities that market trends would produce as long as the documented societal benefits of this policy exceeds the documented societal costs. But the current shift from single-detached and semi-detached houses and townhouses to largely high-rise apartments imposes excessive costs because of a lack of substitutability. For the policy to be effective and moderate undesirable price pressures on single-detached houses, a significant shift from high-rise apartment construction to mid-density housing forms is essential.

2) The differing housing roles of built-up and greenfield areas should be recognized

The economics of urban redevelopment in a dynamic and growing region like the GGH largely results in higher-density housing redevelopment and infill development in built-up areas - mainly apartments with a component of townhouses. In contrast, greenfield areas with their lower land costs typically accommodate lower density developments - mainly singles and townhouses with some apartments.

An examination of the anticipated breakdown of new housing built by type of unit is a requisite for the allocation of the new housing between built-up and greenfield areas. Ignoring housing types greatly increases the odds of a mismatch between the land supply available and the land supply needed.

3) Monitoring the supply of residential land by planning status and by servicing status in the short- and medium-term should be an integral part of the land needs analysis

While there is a need to ensure there are ample lands designed to meet housing demands over the long-term, as the Proposed Methodology recognizes, there is an even more important imperative to ensure there is an ample supply of serviced sites ready to go (shovel ready) or near the end of the planning process with infrastructure available to accommodate the demand (as per Policy 1.4.1 of the 2014 Provincial Policy Statement- otherwise undesirable upward price pressures will occur).

Each housing type of course has different densities (i.e. 100 apartments require less land than 100 townhouses) which means a consideration of housing types is required to determine land supply needs accurately.

Superimposing the timing of the availability of infrastructure onto the land supply inventory by approval status should be a requirement for all upper-tier and single-tier municipalities in the GTA and this information should be updated annually.

The land needs analysis should, at a minimum, evaluate the available land supply against the policies in the Provincial Policy Statement regarding minimum land inventories of at least 3 and 10 years of expected demand by unit types and recommend corrective actions to counter any predicted shortfall.

Impact of Recommendations

These recommended modifications to the Proposed Methodology will still generate the Growth Plan's desired shift away from lower density new housing but result in a more sizable component of mid-density new housing at the expense of the higher-density housing that has dominated new housing production over the past decade. By focusing on the need for enough shovel-ready sites to always be available to accommodate the anticipated demand by unit density at the time it emerges.

Without these changes the GGH will be characterized by high and volatile housing and land prices, excessive household debt, undesirable wealth transfers, a stunting of the filtering down process, and ultimately a more uncompetitive economy compared to metropolitan regions like Chicago. In this regard it is important to monitor the housing market and economic impacts, identify emerging unintended consequences, and take steps to counter them with corrective actions.