



# **The Need to Make Housing Affordability a Primary Goal in Regional Planning for the Greater Golden Horseshoe**

**Submission to the Ontario Growth Secretariat, Ministry of Municipal Affairs  
and Housing, in Response to the Proposed Growth Plan for the Greater  
Golden Horseshoe, 2016**

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## **Executive Summary**

Land use planning is intended to lead to better quality of life and living conditions by encouraging a better urban form, a more efficient pattern of development, enhancing the environment, minimizing externalities, etc. However, there may also be unintended impacts of this land use planning process which should be considered in making policy decisions about the type and magnitude of land use regulation to be imposed. The benefits of the regulation should be considered in conjunction with the costs that it might also impose. This is not to suggest that there should not be land use regulation but, rather that the type and magnitude of the regulation should be considered along with the costs of the specific policies that are being imposed.

Any consideration of economic costs are absent from both the current 2016 Growth Plan and the proposed Growth Plan. The economic costs with the greatest negative impact which will worsen as the years pass comes from the deliberate intent of the plan to suppress the supply of new ground-related houses (singles, semis and townhouses) while encouraging apartments. Given the strength of the underlying preferences for ground-related forms of housing, the end result is higher and higher prices of ground-related houses (both existing and new). This continued deterioration in affordability has serious negative implications for economic and productivity growth in the Greater Golden Horseshoe.

To increase the supply of ground-related houses and moderate house price pressures and the negative economic consequences from them, we are suggesting a series of principles and provisions to be included in a future regional Growth Plan:

### **Providing land to meet demand is a primary objective of land use planning**

- The 2016 Growth Plan policies should be vetted against the anticipated demands of the marketplace before being implemented, especially the demand for new housing by type of unit and demand for offices by locational preferences of the office space users

### **Economics has an important role to play in land use planning**

- The Province should not proceed with enacting changes to the Growth Plan until such time it has completed a fulsome benefit-cost analysis of the existing and proposed policies that incorporates economic and social as well as environmental benefits and costs

## **The GGH is vast – encompassing nine distinct economic regions**

- Land use planning policies for the vast GGH should take into consideration variations between economic regions (CMAs) in terms of economic urban structure and conditions, demographics, real estate markets and linkages to adjacent economic regions.

## **The land use planning system is a mounting contributor to the rising prices of ground-related housing in the GTA**

- The land use planning system in the GGH including the Growth Plan should give a priority to the provision of serviced land for ground-related homes as a key initiative to enhance housing affordability in the region

## **Condominium apartments are not close substitutes for ground-related houses**

- A planning policy intent on a marked shift in the mix of new homes built from ground-related homes to apartments in the GGH will result in even higher prices for ground-related homes – the more one-sided the policy, the greater the impact on prices.

## **Social consequences of planning-caused higher housing prices – greater income and wealth disparity**

- Taking action to counter the existing planning system's impact on ground-related house prices would be beneficial to renters, immigrants, and newly-formed households in the GGH by moderating their homeownership outlays and decelerating the redistribution of wealth to existing owners.

## **Macro-economic impacts from planning-induced high house prices – lower GDP and productivity**

- The macro economic impacts of land use planning proposals should be addressed to ensure the proposals are supportive and not harmful of economic growth and productivity improvement. This is best done through a benefit-cost analysis.
- Consideration should be given to incorporating economic development policies and strategies into the regional land use plans to give economic considerations the priority they should have in the land use planning process.

## **Building more ground-related housing on lower-priority employment lands**

- The Province should encourage municipalities experiencing a shortage of serviced sites for new ground-related houses to redesignate marginal industrial lands in built-up areas and create new residential communities similar to Warden Woods in the city of Toronto

## **A standard methodology for assessing land needs must focus on housing requirements and supply by type of unit**

- Any standard methodology for assessing land needs in the GTA must incorporate a market-based approach for carrying this out. For new housing this requires the analysis be conducted by type of unit.
- The Province's 1995 *Projection Methodology Guide* provides a useful starting basis for any methodology as it incorporates demographics, preferences, and market condition variables.

## **Meaning of PPS 1.4.1 needs to be expanded and clarified, not restricted**

- Policy 1.4.1 of the Provincial Policy Statement should be amended to require municipalities to have a continuous five-year supply of short-term land for each housing type including single-detached and semi-detached houses, townhouses and apartments.
- It should be made clear to municipalities they are expected to meet these requirements by unit type not just in terms of total units in the short-term land supply.
- The proposed Growth Plan proposal to amend Policy 1.4.1 to be constrained by polices pertaining to intensification and densification should be withdrawn.

## **The need for a New Zealand-type inquiry of the ways to make the land use planning system more responsive to housing affordability**

- The Ontario government should launch an inquiry to examine ways that the land use planning system in the GGH is affecting housing costs and look at ways to reform the system to reduce the prices of all types of housing by making it more flexible and receptive to market demands. In particular, the inquiry should propose measures for significantly expanding the supply of serviced sites for ground-related housing types in both greenfield and built-up areas.

- It is important that the economic ministries of the Province be very much involved with overseeing the inquiry given the documented importance of a land-accommodating planning system to the economy of the GGH and the province as a whole.

## 1. Introduction

We at the Centre for Urban Research and Land Development(CUR), Ryerson University, welcome the opportunity to provide this input as part of the consultation process for the document *Proposed Growth Plan for the Greater Golden Horseshoe, 2016* (the ‘proposed Growth Plan’). We are strong supporters of regional planning given that the forces determining growth and prosperity and the spatial distribution of economics activity are regional in scope and do not coincide with the political boundaries of municipalities.

CUR, which was established three years ago, is an independent research centre focusing on the economic analysis of urban issues and policy alternatives within the Greater Golden Horseshoe (GGH). The broad goal of the Centre is to make urban policy makers and the public at large more cognizant of the important contribution economic analysis can make to the formulation of effective urban policies. In the absence of this economic perspective, urban policies will not likely represent the best interests of the majority of GGH current and future residents, impose sizeable but preventable economic costs, and cause undesirable wealth redistribution.

Our comments are directed at the significant impacts of the 2006 and proposed Growth Plans on housing affordability and measures that can be taken to ameliorate these impacts for the economic benefit of the GGH community at large.

## 2. Providing land to meet demand is a primary objective of land use planning

*“Chapter 7 discusses how councils can face an ‘objective overload’ and conflicting goals that distract them from the critical purpose of land use planning – providing sufficient development capacity to meet demand.” (New Zealand, The Productivity Commission, Aug. 2016, p. 33)*

*“Commentators sometimes urge local authorities to consider the potential effects of urban land use planning on outcomes such as reducing obesity rates, carbon emissions or crime (see submissions cited in Chapter 7). Yet these issues are not central to the purpose of urban land-use planning (Chapter 3). From a national perspective, neither is urban land-use planning the best or even a very significant policy instrument for improving many of the outcomes across this diverse range of issues (Chapter 7, Chapter 8). (New Zealand, The Productivity Commission, Aug. 2016, p. 33)*

Providing the sites to meet the demands for land in the marketplace is an important goal of land use planning. Just like in New Zealand, this key goal has become overshadowed by an array of mainly environmental goals in the Province’s plan for the GGH. While the 2006 and proposed 2016 Growth Plans recognize and provides for land by broad land use categories like ‘residential’, ‘offices’ and ‘employment,’ they have two critical deficiencies:

- a) The uses are described at an summative level only and fail to disaggregate the uses by their component sub-markets; and
- b) The plans decree where various economic activities are to locate rather than understanding where households and businesses want to locate and the types of space demanded and addressing these demands.

The demands for residential space should, at a minimum, be divided into two categories: ground-related homes (single- and semi-detached and townhouses) and apartments (including stacked townhouses). As noted below, surveys and studies demonstrate that there is only limited substitutability between ground-related homes and apartments and upward price pressure is the by-product of a supply shortfall of either category of housing.

Similarly, the demands for office space have differing space, amenity and spatial dimensions. While many tenants prefer a central location with lots of amenities and a reliance on transit, others want to be in a lower-rent suburban office park environment with a greater dependency on access by automobile.

Land use planning for the GGH should be built around an understanding of how local economies and land use markets work and their needs rather than on how policy makers would like them to behave.<sup>1</sup>

## Policy implications

- **The 2016 Growth Plan policies should be vetted against the anticipated demands of the marketplace before being implemented, especially the demand for new housing**

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<sup>1</sup> This paraphrases one of the key messages in Cheshire et al., p 2

by type of unit and demand for offices by locational preferences of the office space users.

### 3. Economics has an important role to play in land use planning<sup>2</sup>

*We strongly believe that urban policy could be improved by bringing a stronger economic understanding into policy design and delivery...Of course we also recognize that city leaders and urban policymakers need to balance economic, social and environmental welfare. But we suggest that in at least some cases – planning, again – applying insights from urban economics can improve outcomes across all of these domains."(Britain, Cheshire et al., pp. 2-3)*

Planning tools such as the Growth Plan are necessary to guide the growth of the region. However, these tools as all regulations do have economic impacts that need be identified, understood, and considered when undertaking policy decisions.

From a policy perspective, land use planning regulation is no different from regulatory tools in other policy areas such as environmental policy or trade policy. All regulatory tools have market impacts. In fact, like other regulatory tools, land use regulations are intended to have market impacts since this is typically the objective of policy. However, it may also have unintended impacts that should be understood and taken into consideration when making policy decisions.

Land use planning is intended to lead to better quality of life and living conditions by encouraging a better urban form, a more efficient pattern of development, enhancing the environment, minimizing externalities, etc. However, there may also be unintended impacts of this land use planning process which should be considered in making policy decisions about the type and magnitude of land use regulation to be imposed.

The benefits of the regulation should be considered in conjunction with the costs that it might also impose. This is not to suggest that there should not be land use regulation but, rather that the type and magnitude of the regulation should be considered along with the costs of the specific policies that are being imposed.

When a government proposes to implement far-reaching urban policies like the Green Belt and Places to Grow Acts (including proposed amendments), it has a responsibility to inform its

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<sup>2</sup> This section is mostly based on Amborski, Nov. 2016

constituents of all the significant benefits and costs associated with the policy be they environmental, economic or social.

### **Policy implications**

- **The Province should not proceed with enacting changes to the Growth Plan until such time it has completed a fulsome benefit-cost analysis of the existing and proposed policies that incorporates economic and social as well as environmental benefits and costs.**

## **4. The GGH is vast, encompassing nine distinct economic regions**

The GGH includes a total of nine census metropolitan areas (CMAs) within its boundaries:

- Toronto CMA
- Oshawa CMA
- Hamilton CMA
- St. Catharines-Niagara CMA
- Kitchener-Waterloo-Cambridge CMA
- Guelph CMA
- Barrie CMA
- Peterborough CMA
- Brantford CMA

A CMA is an economic region characterized by a high degree of integration between adjacent municipalities and the central urban area as measured by commuting flows derived from place of work data. The Toronto CMA is by far the dominant region but other regions are important as well. These economic regions have varying degrees of linkages between them but all have a separate dominant central urban area and labour market.

What this means is that a single plan for the entire GGH is ambitious and is likely to cause economic distortions unless it incorporates flexibility in its policies to reflect the differing economic bases and drivers of these various economic regions. The probability of adverse economic impacts flowing from the application of uniform land use policies across the GGH are higher the greater the distance of CMAs from the central Toronto core.

### **Policy implications**

- **Land use planning policies for the vast GGH should take into consideration variations between economic regions (CMAs) in terms of economic urban structure**

and conditions, demographics, real estate markets and linkages to adjacent economic regions.

## 5. The land use planning system is a mounting contributor to the rising prices of ground-related housing in the GTA

*“In contrast to these natural constraints that underpin the relatively high and volatile price of gold, the high price of housing is essentially driven by policy not by natural constraints (as Figure 4.1 bears testimony). In short, the British planning system has been turning houses into gold ever since the Town and Country Planning Act came into law in 1947. (Britain, Cheshire et al., p. 80)*

*“Constraints on the release of land and development capacity (within and on the edge of cities) creates scarcity, limits housing choice, and increase dwelling prices. These impacts are disproportionately felt by people on lower incomes.” (New Zealand, The Productivity Commission, September 2015, p. 1)*

*“The accumulation of such [local] barriers – including zoning, other land use regulations, and lengthy development approval processes – has reduced the ability of many housing markets to respond to growing demand.” (USA, The White House, September 2016, p. 2)*

Land use regulation does have impacts on the price of housing. This has been clearly documented by economists in their studies. Over the last 20 years, land supply has emerged as an important concern across a number of broad land use planning exercises in North America, Britain and New Zealand. These include plans that fall under the titles of ‘growth management’, ‘urban containment’ and ‘smart growth’, all of which share similar regulatory constraints. Land and housing supply concerns have been identified by a number of planners and economists who have analyzed these plans. (Amborski, Nov. 2016, p. 2)

There is no doubt that an insufficient supply of servicing sites is a significant and growing cause of the accelerating rise in prices of resale and new ground-related homes in the GTA and, increasingly, in the outer ring of the GGH. A number of CUR releases document this relationship:

## **A tale of two markets – ground-related homes vs. condo apartments**

The increases in average prices of both resale and new ground-related homes since 2005 has outpaced the rise in the average prices of new and existing condo apartment units (and has exceeded general price inflation by wide margin). A primary reason for this difference is the lack of available buildable sites for ground-related homes compared to apartments. There has been an ample supply of sites for condominium apartments thanks to benign land use planning policies.

As we illustrate below, the differential in the price paths of the two housing categories is not demand-caused as the demand for both ground-related homes and condo apartments has been robust.

### **Indicators of a shortage of serviced sites for ground-related houses**

There is a solid base of evidence pointing to a shortage of serviced sites for ground-related homes in the GTA:

- The rapid rise in average values of serviced lots in the GTA since 2005, as estimated by MCAP, is consistent with a growing shortage of serviced lots for homebuilders on which to build ground-related types of housing (Clayton, Aug. 19, 2016);
- The above-note differential in the growth of average asking prices for new ground-related homes vs. condo apartments (Clayton, Oct. 28, 2016);
- The decline in ground-related housing starts at the same time sales of resale homes have been rising over the past decade (Clayton, Oct. 20, 2016); and
- The failure of townhouse starts to increase when the starts of single-detached homes faltered over the past decade (Clayton, Oct. 20, 2016)

The evidence also supports that the root cause of the land shortage is the result of municipal actions not developers holding land off the market to benefit from higher prices in the future. To the extent developers hold land off the market, it is most likely in reaction to the price increases resulting from a shortage of serviced sites caused by the planning system:

*“A fundamental disconnect exists between the demand for housing and the supply response of the planning system. Where the demand for land exceeds supply allocated through the planning system, landowners and developers act like monopolists. They are able to restrict the supply of zoned and serviced land to maintain high prices.” (New Zealand, The Productivity Commission, Aug. 2016, pp. 3-4)*

## Policy implications

- **The land use planning system in the GGH including the Growth Plan should give a priority to the provision of serviced land for ground-related homes as a key initiative to enhance housing affordability in the region.**

## 6. Condominium apartments are not close substitutes for ground-related houses

An implicit premise of the 2006 and proposed 2016 Growth Plans that households desiring to buy a home are indifferent between ground-related homes and apartments (including stacked townhouses) is incorrect. The above-noted disparity in the rate of price increases between these two housing categories alone is evidence of this. Its inaccuracy is also supported by surveys as to what kinds of homes households in the region have been purchasing or intend to purchase.

The Province's intent in the proposed Growth Plan to alter the mix of new housing built even more in favour of apartments than the 2006 Growth Plan through increasing its intensification and density ratios is based on the misconception that only total housing units matter, not the types of units. A 2014 study by the Pembina Institute concluded that 80 percent of households would be willing to move from conventional residential communities with a preponderance of ground-related housing to transit-efficient, complete communities with a preponderance of apartments. However, as indicated below, subsequent investigation has demonstrated this result is misleading.

A recent CUR study reviewed available studies and surveys providing insights into the kinds of housing and locations demanded by recent and perspective purchasers of housing (resale and new) in the Greater Toronto Area (GTA) (Clayton, Aug. 15, 2016). It also critiqued the Pembina Institute study. The CUR study shows that at least two-thirds of recent and perspective homebuyers opt for ground-related types of housing over apartments. Having ground-access with a yard or patio is important to the majority of GTA buyers including millennials when they are choosing to start families.

What has been happening is that with a shortage of ground-related homes for purchase, buyers are still opting for a ground-related home over an apartment. Many bid higher than the asking prices in their preferred neighbourhoods while others move further out in a search for less expensive homes. There is little sign that this preference is shifting from houses to apartments.

## Policy implications

- **A planning policy intent on a marked shift in the mix of new homes built from ground-related homes to apartments in the GGH will result in even higher prices for**

**ground-related homes – the more one-sided the policy, the greater the impact on prices.**

## **7. Social consequences of planning-caused higher housing prices – greater income and wealth disparity**

*“The growing severity of undersupplied housing markets is jeopardizing housing affordability for working families, increasing income inequality by reducing less-skilled workers’ access to high-wage labor markets, and stifling GDP growth by driving labor migration away from the most productive regions.” (USA, The White House, Sept. 16, 2016, p. 2)*

*“Urban Policies which try to force this location-efficient development by constraining the supply of new ground-related housing even while expanding the supply of apartment sites will lead to even higher house prices, sub-optimal location choices, and huge capital gain windfalls for the lucky owners of existing houses and vacant lands on which new ground-related homes could be built.” (Clayton, Aug. 15, 2016. p. 1)*

It is evidence that the higher house prices resulting from the existing land use planning framework in the GTA, in particular, is leading to sizeable wealth transfer to existing owners of ground-related homes. Not only do existing owners benefit from higher prices, when they sell the capital gains are not subject to income taxation.

On the other side, renters, in-migrants, who are mainly international migrants, and newly-formed households are being faced with sharply diminished affordability when looking to buy a home. Moreover, these households will be faced with higher rents as well as the reduced affordability of house purchase adds to the demand for rental accommodation and pushes rents upwards.

Thus, planning-caused house price increases exacerbates the unequal distribution of income within the region.

### **Policy Implications**

- **Taking action to counter the existing planning system’s impact on ground-related house prices would be beneficial to renters, immigrants, and newly-formed households in the GGH by moderating their homeownership outlays and decelerating the redistribution of wealth to existing owners.**

## 8. Macro-economic impacts from planning-induced high house prices – lower GDP and productivity

*“Local regulatory constraints to releasing land and development capacity for housing have national and economy-wide impacts. Overseas research suggests that constraints on the supply of housing in high-wage cities can price out workers who would be more productive if they could move to take up the opportunities available. Lifting barriers to urban growth by releasing land and development capacity in these cities would increase a country’s Gross Domestic Product (GDP).” (New Zealand Productivity Commission, Sept. 15, 2015, p. 2)*

The literature and research results which are summarized below reflect the work of prominent and mainstream urban economists and planners who undertake economic analysis.<sup>3</sup>

In terms of the extended economic impact of high house prices, several economists have undertaken empirical studies which examine the broader economic impacts of high housing prices and lesser affordability. These broader impacts that affect such areas as municipal gross domestic product (GDP) and income disparity may well explain why high housing prices have captured the attention of policy makers at the national government level in both the United States and Canada.

Richard Florida referenced an example of these impacts when he reported in CityLab on recent work by economists Hsieh and Moretti. Their work identified the fact that increased house prices and reduced affordability has had negative impacts on amount of the GDP created by cities. Florida states that the estimates of the loss are \$1.6 trillion per year across the U.S. (Florida, 2015). When we examine the specific work undertaken, it indicates that the greatest impacts were in cities with the highest productivity. Hsieh and Moretti estimate that GDP was reduced by 13.5% with most of the loss arising due to increased constraints on housing supply. Constraints on the supply of new housing and ultimately higher prices limit the number of workers who move to the most productive cities.

These impacts on the broader economy would appear to be part of the reason why the U.S. President’s Council of Economic Advisors is concerned about the house price increases and affordability issues, and part of the reason why the White House released its Housing Development Tool Kit document.

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<sup>3</sup> The text in this section is from Amborski, Nov. 2016

These macro-economic side-effects of land use planning is why some experts are recommending a greater integration of land use planning and economic development.

### **Policy implications**

- **The macro economic impacts of land use planning proposals should be addressed to ensure the proposals are supportive and not harmful of economic growth and productivity improvement. This is best done through a benefit-cost analysis.**
- **Consideration should be given to incorporating economic development policies and strategies into the regional land use plans to give economic considerations the priority they should have in the land use planning process.**

## **9. Building more ground-related housing on lower-priority employment lands in built-up areas**

*“The re-designation of existing older, low-quality industrial lands to permit the development of new residential communities is a key way for the city to provide a significant quantity of market ground-oriented new housing for families with children.” (Clayton, Dec. 2014, p. 5)*

*“The City’s[Toronto] promotion of the creation of a new community with a large component of affordable market ground-oriented housing for families has been a success in Warden Woods, and its intentions were realized.” (Clayton, Dec. 2014, p.2)*

The fact of life is that most ground-related houses are being built on greenfield lands and most apartments are built in built-up areas. This is largely the result of economics of redevelopment where the higher cost of acquiring land, going through the planning process, and getting the land ready for development is much higher in built-up areas than on greenfield lands.

There is a way to produce sizeable numbers of ground-related houses, especially townhouses, within built-up areas. This involves the rezoning of tracts of older industrial lands which are economically obsolete. Several GGH municipalities, most notably the city of Toronto, possess such lands.

Frank Clayton undertook a study of the new community of Warden Woods in 2014 on former mainly industrial lands in the city of Toronto located in the vicinity of the Warden subway station in former Scarborough (Clayton, Dec. 2014). The report documents the transformation of a

former older industrial/commercial area into a vibrant residential community around the Warden Subway station. According to RealNet Canada (now Altus Data Solutions), a total of 1,449 new homes, consisting mainly of townhouses, semi-detached dwellings and low-rise apartments, had been sold in Warden Woods since mid-2006 at the time the study was conducted.

For more communities like Warden Woods to be created in the city of Toronto and in other municipalities a fundamental shift away from the current regional planning thrust of the sanctity of maintaining even marginal employment lands in built-up areas for employment uses even if there is virtually no demand for them. Recommendations flowing from the Warden Woods policy commentary include:

- Making the provision of ground-oriented housing for families a higher priority than the current policy of maintaining all industrial (employment) land in industrial use indefinitely even if it is lower, older, low-quality land with limited prospects for redevelopment for industrial uses; and
- Accepting the reality that cities like Toronto really do not need its stock of lower quality industrial land with its limited redevelopment potential in order to have a bright economic future. Office buildings are the most vital ingredient now, and will be in the future, for Toronto's economic well-being. (Clayton, Dec. 2004, p. 5)

### **Policy implications**

- **The Province should encourage municipalities experiencing a shortage of serviced sites for new ground-related houses to redesignate marginal industrial lands in built-up areas and create new residential communities similar to Warden Woods in the city of Toronto.**

## **10. A standard methodology for assessing land needs must focus on housing requirements and supply by type of unit**

*“Making sure a choice of housing types is available at different price points, to cater for a range of income levels, is critically important to the effective functioning of the housing market, the economy, and the wellbeing of New Zealanders.”* (New Zealand Productivity Commission, Sept. 2015, p. 1)

The proposed Growth Plan states the Province is going to adopt a standard methodology for the forecast of land needs which municipalities will be required to use. This is sensible as long as the adopted methodology is market-based, that is, the demand for various types of real estate is assessed and forecast using forecasting approaches now employed by industry analysts and land supply is appropriated measured.

The fear we have is that the Province will introduce a land needs methodology that ignores the critical differences between housing types for demand, land needs and locations. Such a methodology was proposed in a recent report by Kevin Eby which disparages a market-based approach to forecasting land requirements. (Eby, July 2016). He criticizes the market-based approach as relying on data from past and not guaranteeing a build out of all lands for each unit type before new lands get designated.

He proposed instead an approach which ignores housing types entirely and uses the intensification and density targets in the Growth Plan to determine the need for residential lands. This approach would worsen the residential land shortfall for ground-related houses and exasperate the price pressures and make these housing types even less affordable.

Instead, the Province should resurrect and update the methodology guide it released in 1995 following the severe shortages of serviced land for ground-related houses in the latter 1980s. (Ministry of Municipal Affairs, 1995). The approach in this guide calculates a demand for new housing by unit type based on demographics and preferences (past and anticipated) and realistically allows for a balanced level of housing vacancies and a land supply contingency factor (above the calculated land demand) to provide a cushion for uncertainty and promote competition in the land market.

The projection framework formulated back in 1995 still represents the only meaningful framework for ascertaining residential land requirement. There are refinements that can be made to it to reflect the planning needs of today but the approach is sound. The Eby approach would worsen the land supply shortage for ground-related houses and add to price escalation.

### **Policy implications**

- **Any standard methodology for assessing land needs in the GTA must incorporate a market-based approach for carrying this out. For new housing this requires the analysis be conducted by type of unit.**
- **The Province's 1995 *Projection Methodology Guide* provides a useful starting basis for any methodology as it incorporating demographics, preferences, and market condition variables.**

## 11. Meaning of PPS Policy 1.4.1 needs to be expanded and clarified, not restricted

*“This serviced land shortage has happened even though the Province, through Policy 1.4.1 of its PPS, requires that municipalities maintain, at all times, at least a three-year supply of land with servicing capacity for a range and mix of housing types (e.g., ground-related housing). The bottom line is that both the Ministry of Municipal Affairs and all four regional municipalities with greenfield lands in the GTA appear not to be in compliance with Policy 1.4.1” (Clayton, June 2015, pp. 8-9)*

Provincial Policy Statements (PPSs) dates back to 1989 when the Provincial Policy Statement for Housing was released with the purpose of ensuring an ample supply of residential lands for ground-related housing. A constrained supply of sites for ground-related housing was a factor in the rapid run up in house prices which occurred in the later 1980s. Subsequent PPSs maintained this crucial goal of ensuring the 905 regions had the duty of keeping a minimum supply of serviced or readily serviceable (for greenfields lands, vacant registered or draft approved lots) of at least three years by type of housing.

Most municipalities it seems, to the extent they are concerned with the adequacy of their short-term land supply, are interpreting the continuous at least three years supply of short-term lands obligation under the current PPS in terms of total units, not units by type. This can result in situations, for example, where a municipality states it has a seven year supply of short-term land but the supply consists of a 15 year supply of apartment land and just two years supply of ground-related housing land. This would do nothing to relieve the existing shortage of ground-related housing land.

It also seems municipalities are interpreting the at least three years’ supply obligation as meaning three years exactly. Policy 1.4.1 is quite clear that the minimum requirement is three years, which implies municipalities should try to exceed three years. There is evidence based on Region of York data that a short-term land requirement in the order of five years is needed to maintain ground-related housing starts at a high level (Clayton, Oct. 28, 2016)

The proposed Growth Plan is proposing to amend Policy 1.4.1 such that the mix of housing land to be provided would be constrained by the housing mix permitted under the increased intensification and density ratios. If implemented, this change will reduce, not expand, the serviced land available for the construction of ground-related housing, and add to upward housing price pressures.

## Policy implications

- **Policy 1.4.1 of the Provincial Policy Statement should be amended to require municipalities to have a continuous five year supply of short-term land for each housing type including single-detached and semi-detached houses, townhouses and apartments.**
- **It should be made clear to municipalities they are expected to meet these requirements by unit type not just in terms of total units in the short-term land supply.**
- **The proposed Growth Plan proposal to amend Policy 1.4.1 to be constrained by polices pertaining to intensification and densification should be withdrawn**

## **12. The need for a New Zealand-type inquiry of the ways to make the land use planning system more responsive to housing affordability**

*“The past decade has seen a large increase in New Zealand house prices. The reasons for this increase are multi-faceted. One important factor has been the approach to land use planning and regulation.” (New Zealand, The Productivity Commission, Sept. 2015, p. 2)*

*“Ensuring that rapidly growing cities can efficiently supply and use land to house people in an affordable manner has the potential to make a significant difference to New Zealand households’ living standards and support national productivity and macroeconomic activity.” (New Zealand, The Productivity Commission, Sept. 2015, p. 2)*

The New Zealand government became so concerned about high and rising house prices and the role of land regulation that it launched an inquiry into the supply and development capacity of land for housing. The Ministers of Finance, Housing, Local Government, and Environment instructed the Productivity Commission, to undertake an inquiry:

*‘ . . . to assess and identify improvements in local and regional authorities’ land use regulation, planning and development systems. These systems should be reviewed with respect to how they deliver an adequate supply of development capacity for housing.’ (New Zealand, The Productivity Commission, Sept. 2015, p. iv)*

Subsequent to publishing its report in September, 2015, the New Zealand Government requested the Productivity Commission undertake a second inquiry into the system of urban planning in New Zealand with a focus on exploring alternative approaches to the land use planning system. The Commission’s draft report *Better Urban Planning* was released in August 2016.

There has not been an inquiry in Ontario conducted with a focus on ensuring the land use planning system has the flexibility to provide the required amount of land by type of housing to counter the market pressures producing high house prices. This is exactly the problem that New Zealand has been addressing.

## **Policy implications**

- **The Ontario government should launch an inquiry to examine ways that the land use planning system in the GGH is affecting housing costs and look at ways to reform the system to reduce the prices of all types of housing by making it more flexible and receptive to market demands. In particular, the inquiry should propose measures for significantly expanding the supply of serviced sites for ground-related housing types in both greenfield and built-up areas.**
- **It is important that the economic ministries of the Province be very much involved with overseeing the inquiry given the documented importance of a land-accommodating planning system to the economy of the GGH and the province as a whole.**

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