

November 24, 2022

To the Public Input Coordinator
MNR – PD – Resources Planning and Development Policy Branch
300 Water Street, 6th Floor, South Tower
Peterborough, ON
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Re: ERO 019-6163: Proposed Planning Act and City of Toronto Act Changes (Schedules 9 and 1 of Bill 23 – the Proposed More Homes Built Faster Act, 2022). Planning Matters.

On behalf of our many municipal clients, we are submitting our comments related to the proposed changes to the *Planning Act* as proposed by Bill 23 (*More Homes Built Faster Act*), as amended by the Standing Committee on Heritage, Infrastructure and Cultural Policy.

Overview Commentary

The Province has introduced Bill 23 with the following objective: “This plan is part of a long-term strategy to increase housing supply and provide attainable housing options for hardworking Ontarians and their families.” The Province’s plan is to address the housing crisis by targeting the creation of 1.5 million homes over the next 10 years. To implement this, Bill 23 introduces a number of changes that seek to increase the supply of housing. The following summary of proposed key housing and planning-related changes, along with our firm’s commentary, is provided below. It is noted that this letter specifically focuses on the impacts of Bill 23 regarding long-range planning and growth management initiatives at the municipal level.

Streamlining Municipal Planning Responsibilities

Schedule 9 of the Bill proposes a number of amendments to the *Planning Act*. Subsection 1 (1) of the Act is proposed to be amended to provide for two different classes of upper-tier municipalities: those that have planning responsibilities and those that do not. Changes are proposed to remove the planning policy and approval responsibilities from the following upper-tier municipalities: Regions of Durham, Halton, Niagara, Peel, Waterloo, and York, as well as the County of Simcoe. In addition, the proposed changes could potentially be applied to additional upper-tier municipalities in future via regulation.

The proposed amendments under Schedule 9 of the Bill introduce numerous questions related to the approach to ensuring effective leadership, management, and integration of regional and local land use planning across the affected jurisdictions. In addition to



providing a broad vision and planning direction with respect to the long-term management of urban, rural and natural systems, upper-tier municipal planning authorities also play a critical role regarding the coordination, phasing, and delivery of water, wastewater and transportation infrastructure as well as other municipal services.

The Provincial Policy Statement, 2020 (P.P.S.), sets out specific responsibilities for upper-tier municipalities, in consultation with lower-tier municipalities, related to planning coordination, housing, economic development, natural environment and municipal infrastructure. Furthermore, the P.P.S. directs upper-tier municipal planning authorities to provide policy direction to lower-tier municipalities on matters that cross municipal boundaries.

While the proposed amendment to the Bill aims to streamline the land use planning process across the affected municipalities, it risks increasing complexity and miscommunication while adding to the technical and administrative efforts of both lower-tier and upper-tier municipalities, as well as the Province. Furthermore, it would remove critical planning resources and knowledge at the upper-tier level which are required when addressing matters that cross technical disciplines and municipal jurisdictions. This would potentially result in disjointed efforts and outcomes with respect to local planning approvals and regional municipal service delivery.

2031 Municipal Housing Targets

The Province has identified that an additional 1.5 million new housing units are required to be built over the next decade to meet Ontario's current and forecast housing needs. Furthermore, the Province has assigned municipal housing targets, identifying the number of new housing units needed by 2031, impacting 29 of Ontario's largest and many of the fastest growing single/lower-tier municipalities. Key observations on the Province's plan are as follows:

- The municipal housing targets for 2031 collectively account for 1,229,000 units, representing about 82% of Ontario's overall 1.5 million new homes target.
- Of the 29 municipalities with housing targets identified, 25 are within the Greater Golden Horseshoe (G.G.H.) and four are located in other areas of southwestern and southeastern Ontario.
- Within the G.G.H. municipalities, the municipal housing targets are generally higher than approved housing forecasts. In non-G.G.H. municipalities, there is generally less discrepancy between the approved housing forecasts and the Province's targets. Having said that, the Municipal Housing Pledges are not intended to replace current housing forecasts in municipal Official Plans.
- The municipal housing targets are based on current and future housing needs. A share of the overall housing need is attributed to a structural deficit in existing housing inventories, while a portion of the housing need is linked to anticipated population growth over the next decade.



- The housing targets are adapted from the housing needs assessment provided in the “Ontario’s Need for 1.5 Million More Homes” report, prepared by Smart Prosperity Institute, dated August 2022.
- The impacted municipalities are being asked to prepare Municipal Housing Pledges to meet these housing targets. These pledges must include details on how the municipality will enable/support housing development through a range of planning, development approvals and infrastructure-related initiatives.
- Again, these housing pledges are not intended to replace housing forecasts set out in municipal Official Plans and are not expected to impact adopted municipal population or employment projections.
- While the municipal housing targets do not specify housing form, density, or geographic location (e.g., greenfield, intensification), it is anticipated that any needs beyond adopted housing forecasts will largely comprise rental and affordable housing units primarily located within built-up areas (B.U.A.s), and to a lesser extent, designated greenfield areas (D.G.A.s).
- To develop effective local policies and programs to support the achievement of the housing targets, it is recommended that municipalities assess their existing and future housing needs through a local lens, building on the high-level assessment provided by the Province.
- Local housing needs should be considered within a broader growth management framework, reflecting population, labour and employment/economic growth potential, and addressed through a planning, economic, fiscal and housing affordability lens.

What Percentage of Housing Needs within the Targeted Ontario Municipalities can Realistically be Associated with a Current Lack of Suitable Housing?

Rapidly rising housing costs in recent years have placed increasing affordability pressures on households, particularly in low- to moderate-income ranges across Ontario. In turn, rising carrying costs can place challenges on Ontario households finding suitable housing.^[1] In some cases Ontario municipalities have been found to have a higher share of unsuitable housing relative to national trends. As a long-term goal, it is recommended as a starting point that all the targeted Ontario municipalities under Bill 23 strive to reduce their respective percentage of households living in unsuitable housing conditions to levels more consistent with national trends. Achieving this target will require actions and programs to increase the supply of affordable housing options, particularly those that are suitable for low- to moderate-income households. It is also important to recognize that due to the considerable differences in the composition of households by family type for some of the impacted Ontario

[1] “**Housing suitability** refers to whether a private household is living in suitable accommodations according to the National Occupancy Standard (NOS); that is, whether the dwelling has enough bedrooms for the size and composition of the household.” (www23.statcan.gc.ca)



municipalities (i.e., greater share of multi-family and multi-generational households), housing suitability targets may be subject to further refinement beyond simply using national trends as a benchmark.

Would an Increase in the Amount of Housing Stock Result in Lower Housing Costs?

In our opinion, addressing current supply deficits related to suitable housing by adopting higher housing targets (where such deficits have been identified) could serve as an effective approach to providing additional housing choice to low- to moderate-income households. Critical to the success of this initiative is the alignment of new housing products with local housing demand in accordance with affordability. Based on our initial review, additional housing types that have the highest need are affordable purpose-built rental products as well as Secondary Units.^[1]

Increasing the supply of housing across the Province would improve housing choice and affordability for Ontario households, provided that housing products are geared to low- to moderate-income households which have the greatest need for suitable housing. Efforts to increase market-based housing supply, however, are unlikely to result in significantly lower housing costs for Ontario residents. This is because market-based housing affordability is determined by a range of community, regional, provincial and national level factors that influence supply and demand for housing, cost of residential development, ownership carrying costs, and rental market rates. Many of these factors are related to macro-economics and federal policy, over which Ontario municipalities and the Province have limited influence. This includes such factors as trends in the economic outlook for Canada and its provinces, immigration levels to Canada by province, construction, building and fuel costs, federal trade policy, the relative strength of the Canadian dollar, monetary policy, Bank of Canada prime interest rates, and the regulatory environment related to residential mortgages.

It is noted that in cases where inventories of available housing for sale or rent on the market are constrained, housing supply can have an influence on market-based housing prices and rents. Over the medium to longer term, Ontario planning authorities play a role in providing conditions to support a balanced housing market by ensuring that sufficient housing supply is available and urban lands are designated for residential development to address market requirements. Accordingly, when addressing housing and urban land supply for Ontario municipalities, it is important to examine both the

^[1] The Canadian Housing and Mortgage Corporation (CMHC) identifies the primary rental market as structures that have at least three rental units. These properties are typically operated by an owner, manager, or building superintendent. CMHC identifies rented condominiums, subsidized rental housing, and rentals in structures of less than three units as part of the secondary rental market. In fact, all rentals – except privately initiated, purpose-built rental structures of three units or more – are included in the secondary rental market.



near-term supply of housing options available on the market (i.e., inventory of dwellings for sale or rent), as well as the medium- to longer-term supply of dwellings in active development approvals, residential intensification potential through infill and redevelopment, developable vacant greenfield residential lands and urban area expansion (where appropriate and justified). With respect to the immediate supply of ownership housing currently on the market for sale, for most Ontario municipalities the supply of housing has sharply increased over recent months following peak housing demand levels experienced during the pandemic. In fact, since early 2022, the ownership housing market has notably cooled following an increase to the Bank of Canada overnight lending rate from 0.25% in January 2022 to 3.75% in October 2022.

With respect to the rental housing market, the 2021 rental housing vacancy rate for Ontario as a whole was 3.4%.^[1] Typically, a rental vacancy rate of approximately 3% is considered healthy. It is noted, however, that for some of the targeted Ontario municipalities, rental vacancy rates are well below the Ontario average, which continues to place upward price pressure on rents.

In accordance with urban land needs assessments that Watson & Associates Economists Ltd. has carried out for Ontario municipalities in recent years, it is our experience that most Ontario municipalities broadly meet the requirements of the P.P.S. to provide sufficient housing and urban lands to accommodate demand over the next 15 years.^[2] Ensuring that sufficient housing and urban land supply is available within this 15-year planning horizon is critical for Ontario municipalities because this is generally the timeframe required for housing to be planned, serviced, constructed and occupied.

It is noted that for some municipalities, local supply and demand mismatches exist within the *Regional Market Area* which can constrain urban development and can place upward pressure on local housing prices in such cases.^[3] It is also noted that while most Ontario municipalities broadly meet these P.P.S. housing requirements, many Ontario municipalities will require an increase in the supply of purpose-built rental housing opportunities to meet anticipated rental housing demands over the next 10 years and beyond. When considering the housing targets associated with Bill 23, many Ontario municipalities are anticipated to experience shortfalls in purpose-built rental housing options based on the current supply of active developments in planning approvals.

[1] Canadian Mortgage and Housing Corporation (CMHC), 2021.

[2] In accordance with subsections 1.4.1a and 1.4.1b of the P.P.S.

[3] Refer to P.P.S., p. 50 for the definition of Regional Market Area.



What Impacts would Higher 10-Year Housing Targets have on Ontario Municipalities?

Accommodating higher housing targets associated with Bill 23 would require the following impacts to be carefully considered:

- **Housing Implications** – It is our opinion that most of the additional housing targeted through Bill 23 would need to be directed towards affordable purpose-built rental housing. Purpose-built rental housing is an important component of a well-balanced housing inventory because primary rental market units are not subject to the broader market fluctuations of the secondary rental market, which may affect longer-term availability in the rental market. Accordingly, providing a greater share of purpose-built rental housing units would help ensure greater stability and certainty with respect to the availability of rental housing stock over the longer term. Purpose-built rental units also tend to have lower market rents when compared to most rental units provided through the secondary market. Purpose-built housing also offers greater opportunities to integrate both non-market and market housing units within developments.

Ontario municipalities face two key challenges regarding their ability to accommodate a sharp increase in purpose-built rental housing over the next decade and beyond. First, accommodating a greater supply of purpose-built rental housing opportunities across Ontario municipalities would require greater participation from the private-sector development community to construct such housing types. A key challenge related to this effort is that purpose-built rental housing typically is less financially feasible when compared to the construction of condominium developments and freehold ownership housing. Simply put, the anticipated financial risk is generally higher and anticipated return on investment is generally lower when comparing purpose-built rental housing to ownership housing. The second challenge Ontario municipalities face in providing a greater inventory of purpose-built housing is the limited supply of labour related to the Ontario construction industry. While it is recognized that a direct objective of Bill 23 is to provide more housing to address current labour shortages across the Province, achieving the proposed provincial 10-year housing target would require an immediate increase in labour force supply related to housing construction sector which is unlikely to be realized.

- **Planning Implications** – Over the next several decades, the focus of residential development is anticipated to continue to shift from greenfield settings to intensification, particularly for larger urban centres as these municipalities continue to mature and urbanize. From a planning policy perspective, Strategic Growth Areas including Urban Growth Centres and Major Transit Station Areas represent priority locations for residential development given the amenities that these locations provide with respect to access to high-order transit, retail, and



other community services. Accordingly, increased housing targets associated with Bill 23 should be primarily directed to Strategic Growth Areas within B.U.A.s.

- **Impacts on Infrastructure and Municipal Service Needs** – Higher housing targets, as set out through Bill 23, would require significant increases in Regional/ County and local infrastructure and municipal service needs, particularly within B.U.A.s where the majority of increased housing demand is anticipated to be directed. While small-scale infill or redevelopment can benefit from existing capacity associated with hard municipal services, large-scale intensification projects can come at a high price given costs associated with the replacement, improvement and maintenance of existing services which have not been planned to accommodate significant increases in housing, population, and employment growth.
- **Implications of Increased Employment Growth and Non-Residential Building Space Needs** – In certain cases, higher housing targets are anticipated to generate increased population growth and generate a direct increase in the need for population-related employment such as retail, accommodation and food services, health care and social services, and education. Increased employment will also place further demands on infrastructure needs as well as commercial and institutional building space requirements. Similar to residential development, non-residential space needs are anticipated to be greatest within the B.U.A. This increased demand for both residential and commercial lands is likely to place increasing pressure for Employment Area conversions to non-employment uses, which needs to be carefully addressed and managed.
- **Financial Implications** – It is beyond the scope of this response to comprehensively address the financial implications of Bill 23. Broadly, Bill 23 is anticipated to result in lost development charge (D.C.) revenues by phasing-in new D.C. by-laws over five years, introducing new D.C. exemptions, removing funding related to water/wastewater master plans and environmental assessments, and potentially removing some municipal services which are currently D.C. eligible. This potential loss in D.C. funding must then be passed on to existing rate payers. This comes at a time when municipalities must implement asset management plans under the *Infrastructure for Jobs and Prosperity Act, 2015* to maintain existing infrastructure. Significant annual rate increases in property taxes and user rates may then limit funding to the capital budget and hence delay servicing of additional developable lands for housing.



We appreciate the opportunity to provide comments related to the proposed changes on behalf of our municipal clients.

Yours very truly,

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