

Intelligence MEMOS



From: Benjamin Dachis
To: Ontario Housing Policy Watchers
Cc: Ontario Minister of Municipal Affairs and Housing Steve Clark
Date: October 20, 2022
Re: **WHAT WILL IT TAKE TO BUILD 1.5 MILLION ONTARIO HOMES IN A DECADE?**

Municipal elections are being held on Monday across Ontario.

The next day, Ontario's legislature returns to work. Also that day, Steve Clark, Minister of Municipal Affairs and Housing will [outline](#) the province's next steps toward its ambitious goal of building 1.5 million homes in the next decade.

Ambitious may be an understatement. That pace of building would be a substantial increase in the current rate of building – about double the annual pre-pandemic rate. Ontario's lack of construction workers and delays in what does get built [adds](#) hundreds of thousands of dollars onto the cost of homes through its impact on overall supply.

The government created an expert task force to propose ideas to increase housing construction and it [recommended](#) a series of major reforms last February.

The government reaction was initially tepid, which is little surprise given [municipal complaints](#).

But two elections will have passed by Tuesday. The time for Ontario to act is now. Bold changes are needed for any chance of meeting the 1.5 million new homes target.

Here's what the bar for success should look like.

The most urgent, and most politically contentious, reforms needed are in zoning. At a minimum, the province should adopt aggressive density targets around transit stations. It should also allow developers [automatic](#) approval if a development meets these targets.

The province also needs to thread the needle of increasing density throughout our cities. Too fast a density increase will result in widespread opposition to any plan. The province should allow for gradually increasing density across all parts of urban areas without the need for lengthy approvals.

The zoning system is only one source of zoning delay. Conservation Authorities add their own approval requirements that slow development. As do heritage designations, which can also hamper other efforts such as [energy efficiency](#).

One persistent issue is the right of community groups to appeal a project to the Ontario Land Tribunal even after it has gone through all the hoops of government approval. They can start an appeal at [minimal cost](#) (\$400) and with no consequence for filing a vexatious claim meant only to prolong the process. Such claims have wider consequences by slowing other cases before the tribunal, which can slow building province-wide. The government should follow the task force's recommendation and rein in third-party appeals.

Renters need help too. One legacy policy that persists is that Toronto multi-residential buildings more than 20 years old are subject to a property tax rate [twice](#) the rate of a new building. Those higher taxes get passed on through higher rents. Residents of new and old buildings get the same municipal services. Fixing this imbalance will keep rent costs down for those in older buildings.

Finally, the province should halt, and promptly review, dramatic increases in development charges that some cities are proposing. The City of Toronto is [planning](#) to set a charge of \$137,000 for a single detached house. That's more than a 40 percent increase from today's charge, and usually passed on to homebuyers.

The province has also [indicated](#) it will cut development charges on buildings subject to inclusionary zoning. Toronto's inclusionary zoning policy requires certain builders to dedicate units in what they are building to below-market units. The policy shifts the overall social cost of housing support away from taxpayers and onto homebuyers. It's no way to solve housing issues.

Cutting development charges on buildings or units subject to inclusionary zoning will lower the program's cost in short-term. But such a cut moves the capital cost bill to other developments. Inclusionary zoning itself is the core of the [problem](#) and should be the focus of reform.

Development charges pay for capital services that need to be paid for one way or another. A freeze in development charge increases only helps in the short-term. Cities and the province need to come together for a deeper rethink of how cities finance infrastructure. Cities are sitting on large [reserves](#) largely from past development charges. Collecting development charges up front for water and wastewater, the largest component of development charges across Ontario, no longer makes sense. Users should pay the cost of capital as they use the service, not upfront. Ontario should commit to working with cities for a deeper reform of development finance as well as immediate action.

These are just a start of the ideas the province should enact as part of its [promised](#) rounds of housing red-tape reduction. If we see these kinds of changes, Ontario may be able to build those 1.5 million new homes.

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