



# MFOA Technical Response to: Increasing Housing Supply in Ontario, A Consultation Document

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## I. Introduction

The Municipal Finance Officers' Association of Ontario (MFOA), established in 1989, is the professional association of municipal finance officers. We represent more than 2300 individuals who are responsible for handling the financial affairs of municipalities and who are key advisors to councils on matters of finance policy.

MFOA promotes the interests of our members in carrying out their statutory and other financial responsibilities through advocacy, information sharing, networking opportunities, and through the promotion of fiscal sustainability. We also provide members with training and education to enable continuous professional development and to support excellence in municipal finance.

In December of 2018 the Province issued a discussion paper on housing supply entitled: *Increasing Housing Supply in Ontario*.<sup>1</sup> This document is a foundational piece supporting a broad consultation in the Province to address housing supply and related issues of affordability to ensure that Ontario has the right housing in the right places with the necessary infrastructure. The results of the consultation will shape a Housing Supply Action Plan, which will address barriers to new ownership and rental housing in Ontario.

This paper sets out MFOA's views on the important issues and questions raised in the consultation document as well as some that were not. We very much appreciate the opportunity to provide our perspectives and look forward to working with the Province on solutions that will build strong vibrant communities.

## II. Principles and Prior Positions

MFOA has previously taken a position and made recommendations to the Province on some of the issues raised in the consultation paper. For some of the other issues, we have not. Either way, we believe that policy recommendations should be anchored in principles that are explicitly set out for the Province as well as our members. The remainder of this section sets out our principles and, in some cases, previously stated positions, in the following areas:

- Complete Communities
- Autonomy
- Financing
  - Social and Affordable Housing
  - Infrastructure Financing
- Policy Approach

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<sup>1</sup> This document, and a supporting presentation, is available at <http://www.ontario.ca/housingsupply>.

### **II.i. Complete Communities**

MFOA supports the creation of complete, strong and vibrant communities. Such communities require a “range and mix of housing options, including secondary units and affordable housing, to serve all sizes, incomes and ages of households.”<sup>2</sup> Complete communities require employment opportunities and a significant array of municipal infrastructure to service residents and businesses. The importance of complete communities that support healthy and active living in municipalities is noted in the provincial growth plan and in the federal government’s recent National Housing Strategy.<sup>3</sup>

### **II.ii. Municipal Autonomy**

The Province’s discussion paper rightly notes that there is a delicate balancing act in the housing market and in setting and implementing housing policy. A multitude of governmental approvals are required for new housing to come on stream. As noted in the consultation document:

The various regulatory requirements and approvals were established to serve specific public interests, policy objectives or government goals. For example, rules and processes exist to ensure the health and safety of residents, protect environmentally and culturally sensitive areas, and support economic development and a vibrant agricultural sector. Efforts to streamline these requirements need to balance these multiple goals.<sup>4</sup>

Municipal approval of building permits, severances, subdivision agreements and a variety of other planning applications are vital tools for municipalities to ensure that communities develop in ways that promote sound planning principles and produce vibrant, sustainable and complete communities. While MFOA supports efforts from all levels of government and developers for greater coordination and streamlining of approvals, we do not support reducing or eliminating municipal approval powers with respect to development or restrictions on revenue raising capacity to finance housing and infrastructure. Municipalities must have the powers and tools to ensure sound development and growth in their own communities.

### **II.iii. Municipal Finance**

Housing affects municipal finance in a number of ways. For example, some municipalities incur significant capital and operating costs as direct providers of social and affordable housing infrastructure. Ontario is the only province where municipalities have significant social housing responsibilities and costs. Indirect costs are also incurred for a range of supportive services for many social housing

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<sup>2</sup> Ontario, Growth [Plan for the Greater Golden Horseshoe](#), May 2017, p. 6

<sup>3</sup> Ontario, [Growth Plan for the Greater Golden Horseshoe](#), May 2017, p. 5. See also Canada, [National Housing Strategy: A Place to Call Home](#), 2017, p. 5.

<sup>4</sup> Ontario, [Increasing Housing Supply in Ontario](#), December 2018, p. 3

residents. In addition, municipalities provide a range of infrastructure which is needed to support housing and businesses. The municipal finance implications of social housing and infrastructure are expanded on below.

### Social Housing

As direct providers of social housing, “municipalities contribute more than \$1.2 billion to social housing every year, which is more than federal and provincial housing funding combined.”<sup>5</sup> The level of municipal contribution to social housing was also noted in the 2017 Annual Report of the Ontario Auditor General.<sup>6</sup> The numerous issues related to social housing are beyond the scope of this consultation; however, consistent with our support of “complete communities”, we would urge that social and affordable housing remain a strong focus of housing policy. We are encouraged by the emphasis social and affordable housing issues have received under the federal housing strategy, and we support continued efforts to ensure that all Ontarians have adequate housing. As a starting principle we agree with AMO’s (Association of Municipalities of Ontario) position that, “with respect to social and affordable housing, senior governments must commit to ‘dedicated, permanent, predictable and sustainable funding’”.<sup>7</sup> Municipalities do not have the financial resources to carry the burden of social and affordable housing costs alone.

### Municipal Infrastructure

Municipalities also provide infrastructure that supports housing and employment in Ontario communities. MFOA promotes financial sustainability and long-term financial planning. This includes, among other things, strong support for asset management planning since local governments provide services through a very substantial range of assets that include water and waste water facilities, recreation centers, libraries, roads, transit, police and EMS infrastructure, to name a few. An important tool that contributes to long-term planning and sustainability is the *Development Charges Act, 1997*, which permits the partial recovery of growth-related capital costs. The significance of this tool will be discussed further.

## II.iv. Policy Approach

The Province’s consultation paper is a wide-ranging document that touches on a number of complex policy issues including multi-level approvals, development

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<sup>5</sup> Association of Municipalities of Ontario, [Housing in Ontario: A Primer for AMO Members](#), January 2017.

<sup>6</sup> The Auditor General found that about \$1.35 billion has been spent annually over the past five years to support social housing in Ontario. This money is provided by the federal (29%) and municipal (service manager) governments (70%); the Province only contributes about 1% toward social housing costs, most of which relates to Indigenous social housing in Northern Ontario. Auditor General, [2017 Annual Report: Social and Affordable Housing](#), 2017, p. 710.

<sup>7</sup> Association of Municipalities of Ontario, [National Housing Strategy: Submission to the Government of Canada](#), 2061, p. 7.

mix, the impact of provincial policies on land supply and housing costs, government charges on development and several more. We feel that the policy changes that the Province opts for in its Housing Supply Action Plan need to be mutually supportive of each other. It is counterproductive to initiate reforms that solve one problem but exacerbate another. Our main concern is that any attempt to address housing affordability by restricting municipal use of development charges (DCs) will only make it more difficult for municipalities to emplace the needed capital works to support housing. Restrictions on DCs can, and will, have major implications for housing supply if the required infrastructure cannot be emplaced. Further, it is important for policy changes to recognize the critical roles played by each of the main parties to development – the Province, the municipality, and the developer. A comprehensive approach involving all three levels of government and key stakeholders is needed to ensure that municipalities can fund the infrastructure our communities require.

### Prior MFOA Positions on Development Charges

The first *Development Charges Act* (DCA) in Ontario came into force in 1989. It set out rules to enable municipalities to collect growth-related capital costs created from new development. The Act did not permit the recovery of operating costs, rehabilitation or replacement costs for assets. This legislation was very broad and allowed municipalities to recover 100% of growth-related capital costs.

The Act was amended in 1997, and a number of provisions were introduced that resulted in lower levels of cost recovery for municipalities, which significantly shifted growth-related costs from the development that created the costs to existing property tax and ratepayers.

In 2016, the Province conducted a review of the DCA. At that time, MFOA's position regarding DCs was that:

- Growth should pay for growth;
- There should be no ineligible services under the DCA;
- There should be no service “discounts”;
- Service levels should be forward looking and not based on historic service averages.

MFOA continues to support these positions.

MFOA has observed continuous pressure to expand mandatory exemptions from DCs to promote a variety of planning objectives. MFOA has argued that the DCA is a blunt policy tool to achieve these goals when compared to various planning tools. In addition to the position on DCs noted above, MFOA also recommends no new mandatory exemptions for DCs. Municipalities already have flexibility to make DC exemptions and some do for various reasons. However, exemptions merely reduce revenues, not growth-related costs. Exemptions must be funded

from existing taxpayers. Municipalities are best positioned to know if this is affordable and desirable in their jurisdiction.

### III. Consultation Themes

The Province's December 2018 discussion paper on housing supply presented five broadly themed barriers to new housing supply: speed, mix, cost, rent, and innovation. For each theme, a number of issues and questions were raised, which we have responded to in the subsequent thematic sections. The discussion questions posed by the province are presented in bold.

#### III. i. Speed

The consultation document notes that in Ontario, multiple approvals of varying types are required under a myriad of statutes and by-laws from several levels of government. The complexity, uncertainty and length of these processes have been identified as a problem that increases costs for developers, builders and homebuyers.

A single housing project may require approvals from many of these entities. Duplication, lack of coordination and delays add burden to the development process and increase costs for builders and homebuyers. Potential appeals of these decisions can add further delays and uncertainty.<sup>8</sup>

We agree that the various approvals processes can be time consuming, difficult to navigate and involve significant compliance costs.

The development approval process in Ontario was complex and lengthy prior to the 2005 Planning Act and the 2006 Growth Plan changes requiring additional process. It now generally requires 8-10 years to complete the initial stages of policy and development planning prior to the first building permits emerging on vacant land in new communities. Beyond this initial timeframe, communities can take 15-20 years or longer to be fully built out as municipalities require time to process development applications and integrate growth with the delivery of community infrastructure (e.g. schools, parks, community centres).<sup>9</sup>

A recent study of the building permit approval process found similar problems with long approval times that appear to be more protracted than other parts of Canada and other cities in the world.

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<sup>8</sup> Ontario, [Increasing Housing Supply in Ontario](#), 2018, p. 3

<sup>9</sup> Malone Given Parsons, [Greater Toronto & Hamilton Area, Simcoe County, Barrie and Orillia Land Supply Analysis](#), November 2018, p. 4

These unnecessary delays in approval have significant impacts. A Fraser Institute report that examined building regulatory regimes in different Canadian communities found that every 6-month delay in approvals reduces growth in new housing supply by 3.7%. This is not just a delay in approvals but it also results in a reduction of new supply. Additional reductions in housing supply growth occur when there is considerable uncertainty regarding approval timeframes which is another feature of Ontario's building approval process.<sup>10</sup>

In late 2017, the Province hosted a roundtable to discuss the development approvals process and to develop actionable recommendations for streamlining.<sup>11</sup> Several of the recommendations that came out of the roundtable were captured in Ontario's Fair Housing Plan.<sup>12</sup> A number of additional recommendations have since been submitted to the Province by the Residential Construction Council of Ontario.<sup>13</sup> These exercises contain a number of useful suggestions for streamlining approvals processes without sacrificing the rigorous review needed to ensure adherence to planning principles, the public interest, public safety and other vital public sector priorities. Governments (federal, provincial, municipal), the development industry and other key stakeholders will have to work together to achieve streamlined processes that continue to protect homeowners and residents.

MFOA supports efforts to streamline development approvals processes. However, changes to development approvals processes must be made with the agreement of municipal planning staff and building officials to ensure that municipalities retain the authority to ensure that develop plans conform to local standards.

We are of the view that the issues related to the speed of development approvals need to be viewed more broadly. Development approval timelines **are** overly lengthy, but so too are various infrastructure approvals that municipalities must obtain due to the current provincial legislative framework. For example, environmental assessment processes can take significant lengths of time. In cases where approvals are required for critical infrastructure, such as water or wastewater services, the lack of an approval, or a delay of an approval, can bring development to a virtual halt with obvious housing supply implications.<sup>14</sup>

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<sup>10</sup> Amborski, David and Duong, Lynn, Centre for Urban Research and Land Development, [Modernizing Building Approvals in Ontario: Catching Up with Advanced Jurisdictions](#), July 2017, p. 2

<sup>11</sup> Ontario, [Development Approval Roundtable: Action Plan](#), November, 2017

<sup>12</sup> Ontario, [Ontario's Fair Housing Plan](#), April 20, 2017

<sup>13</sup> Residential Construction Council of Ontario, [Streamlining the Development and Building Approvals Process in Ontario](#), July 2018

<sup>14</sup> Dave Wilkes, BILD, Toronto Star, July 21, 2018. This article mentions the Upper York Sewage system that has been almost a decade in the planning and approvals process and has yet to be built.



Actions of the development community can also lengthen the development approvals process period. Developers need to reflect on and review how their activities contribute to the issue. For example, developers do not uniformly submit completed applications. This requires municipal staff to spend additional resources on select applications. Developers may also engage in a hurry up and wait approach to the approvals process. Developers are highly engaged at the beginning of the process, but then wait to develop until such a time as they deem the market ready for investment. The length of the process could be misleading due to uneven engagement through the approvals process period.

Development approvals should, therefore, not only be faster, but they should also be “smarter.” Ontario has been committed to smart growth principles for many years and these principles can be found in numerous provincial planning statements and documents. It nevertheless remains the case that sometimes development and infrastructure placement are not well aligned. This issue will be addressed more fully in the following sections on mix and cost.

### **How can we streamline development approval processes, while balancing competing interests and the broader public interest?**

Process re-engineering with respect to development approvals should only be made through collaborative exercises that ensure all views are heard. Top down changes that do not include municipal planning, building, and/or other municipal officials risk significant implementation challenges and, more importantly, risk departing from sound and accepted planning principles and locally determined planning priorities.

#### **III. ii. Mix**

The provincial discussion paper raises a number of issues related to housing mix that have been identified by various stakeholders in recent years. These include problems related to housing types, housing location and local amenities to support housing (e.g. schools, transit, workplaces). The complex interaction of housing markets, provincial policies, local planning priorities and a myriad of other factors all play a part in determining the location and types of housing and the types and location of public infrastructure to service the development.

### **How can we make the planning and development system more effective to build the kind of housing people want, and can afford, in the right places with the right supports (e.g. school, transit and other amenities)?**

This single question touches on a number of important points, including:

- Make planning and development more effective
- Building housing that:
  - people want (matching housing types with housing needs)

- is affordable
- is in the right places
- has the right supports (public infrastructure)

*Planning and development system that is more effective*

Ontario has complex and lengthy approval processes that, in many cases, also have mechanisms to appeal decisions that have been publicly made, which in turn have their own lengthy and expensive processes. Several observers have noted that these processes have become more complex as efforts are made to incentivize certain types of development through the provincial growth plan.

Unfortunately, it is unlikely that any attempts to streamline complex processes, while ensuring protections for key stakeholders and governments, will result in short-term solutions to housing supply issues or price challenges faced by many in Ontario. The fact that these solutions probably have significant lead times is not, of course, a reason to avoid making improvements in the way that developments are approved and built. We would caution against quick fixes that might seem to make the development process more effective but actually run the risk of unintended consequences and create new problems or exacerbate existing ones. Ontario municipalities are incredibly diverse in terms of geography, population, and economy. A fix geared to a growing urban environment may not be relevant for a rural community with a declining population. One size does not fit all.

**Rural Communities**

Affordable housing issues in urban municipalities in the GTHA currently receive the lion’s share of media attention. This is likely due to staggering jumps in house prices over the last ten years. Less attention is paid to the issues faced by smaller, more rural communities where house prices as well as household incomes are often lower. Housing in rural communities is also disproportionately impacted by factors outside of municipal control, such as the closing of the main local employer.<sup>15</sup>

These rural communities often face different obstacles when trying to attract a mix of housing that meets the needs of their residents. Many of these obstacles are related to geography.<sup>16</sup>

These factors include a low population density that restricts transportation options, limited access to contractors and poor housing conditions. Additionally, the low income of rural residents also puts them at a disadvantage in finding suitable accommodations in the event of resort or retirement development and the subsequent inward migration of urban

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<sup>15</sup> Paddison, Laura, “[America’s Affordable Housing Crisis isn’t Just Hitting Cities](#)”, Huffington Post, October 2, 2018.

<sup>16</sup> Rural Ontario Institute, [Under Pressure: Affordable Housing in Rural Ontario](#), December 2009.

residents that raises housing prices through increased demand for accommodations.<sup>17</sup>

Rural housing mix also includes types of shelters not seen in urban environments, such as mobile homes and trailer parks. Some of these shelters are unlikely to benefit from repair and rehabilitation further exasperating the affordability crisis.<sup>18</sup>

Provincial policies should consider these differences when formulating strategies.

## **Urban Communities**

### *Matching housing types with housing needs*

It is often suggested that in recent years new housing developments in the GTHA have either been “tall” or “sprawl.” In other words, there is a “missing middle” of housing types, which includes rowhouses, town-houses, walk-up apartments and low to mid-rise buildings. The term describes housing types that fall somewhere between high rise apartments/condos and single-family homes.

The majority of new housing built and under construction is either “tall”—one-bedroom condos at high density nodes—or “sprawl”—single-family homes at increasingly distant locations on the urban fringe. This has left households with little choice in the housing market. The options are a small condo in a high-rise tower close to amenities and transit, or a single-family home not served by either transit or amenities and requiring a long commute.<sup>19</sup>

A case study of Mississauga conducted by the Ryerson City Building Institute found that the potential for adding “missing middle” housing in Mississauga was significant and that such housing reduces land consumption, makes more efficient use of infrastructure and offers housing that focuses on middle income families. In 2017, Mississauga identified a number of initiatives to encourage a broader range of “missing middle” housing. The recommendations taken together are ambitious, but the benefits will be significant if successful.<sup>20</sup>

The case of Mississauga and others suggests that a full range of housing is the result of a deliberate and coordinated focus to ensure that housing types are built for households of all incomes. Coordination means that various departments in

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<sup>17</sup> Rural Ontario Institute, [Under Pressure: Affordable Housing in Rural Ontario](#), December 2009, p. 4.

<sup>18</sup> Waegemakers Schiff, J, Schiff, R., Turner, A., & Bernard, K. (2015). [Rural homelessness in Canada: Directions for planning and research](#). The Journal of Rural and Community Development, 10(4), 85-106.

<sup>19</sup> Ryerson City Building Institute, [Finding the Missing Middle in the GTHA: An Intensification Case Study of Mississauga](#), October 2018, p. 1

<sup>20</sup> City of Mississauga, [Making Room for the Middle: A Housing Strategy for Mississauga](#), 2017.

municipalities need to work together (e.g. planning, public works, finance) and work with the development industry as well as various advocacy groups. Getting a range of housing that is affordable and in the right places doesn't just happen; it happens when builders, planners and others work together to make it happen.

### *Building housing in the right places*

A variety of studies have suggested that development does not always occur in the right places to permit it to be fully supported by public infrastructure.

Major investments to transportation infrastructure have been made since the release of the first Growth Plan in 2006. However, much of the Designated Greenfield Areas are not proximal to existing or planned higher-order transit. This has resulted, in some cases, development being limited due to the lack of sufficient transportation capacity in the surrounding network.<sup>21</sup>

A study by Neptis Foundation that compared development in Vancouver to the GTA found that:

Growth in the GTHA is going mainly to areas without transit, and outside Urban Growth Centres: Only 18% of net new residents were located in areas within easy walking distance of frequent transit (corridors with transit service every 15 minutes or less), while the areas around GO stations accommodated 10% of the region's net new population. Urban Growth Centres identified in the Growth Plan for the Greater Golden Horseshoe, which are supposed to accommodate significantly higher amounts of intensification, accounted for only 13% of net new residents across the region.<sup>22</sup>

It is obviously important to have an array of housing types to accommodate the range of housing demand by income, demographic groups as well as those requiring assisted living arrangements or other supports. However, it is also important that development occur in areas where needed infrastructure is in place. Similar to the previous point, in urban settings, ensuring that development complements the location of existing municipal and other public sector infrastructure is often about actively searching for intensification opportunities that will offer a range of housing that goes beyond condominium towers.

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<sup>21</sup> Malone Given Parsons, [Greater Toronto & Hamilton Area, Simcoe County, Barrie and Orillia Land Supply Analysis](#), November 2018, p. 4

<sup>22</sup> Neptis Foundation, [Misalignment of growth and infrastructure means Growing Pains for the GTHA](#), May 2015

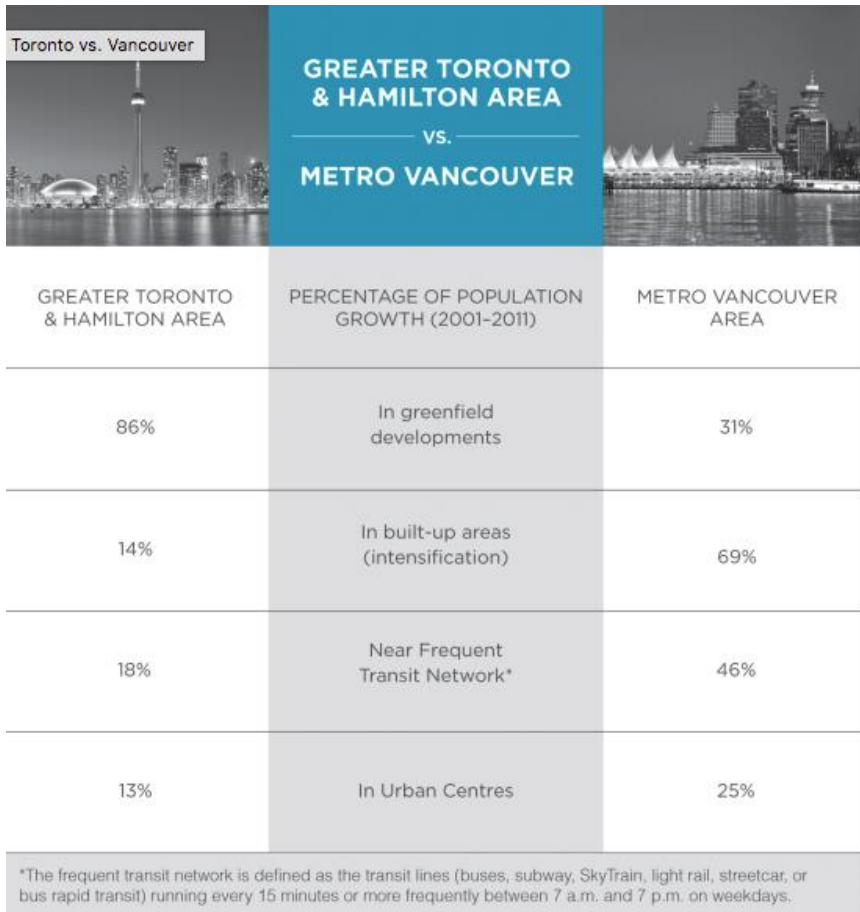


Figure 1: Location of new development, GTHA and Metro Vancouver compared (Neptis Foundation, 2015)

### Housing affordability

Housing affordability is, in part, the result of a number of supply and demand considerations. As noted by the Fraser Institute, when explaining house prices it is:

...unwise to focus on any single element of housing demand when trying to explain rapid price growth. Rather, it helps to remember the fundamentals, which include population growth, income growth, housing supply and—of course—interest rates.<sup>23</sup>

Numerous macro-economic factors are relevant in any discussion of housing affordability, though they are not the focus of the Province’s discussion paper. For example, a number of observers have noted that incomes of millennials have remained stagnant, notwithstanding higher levels of education than earlier generations of the same age. Others have expressed concerns that rising

<sup>23</sup> Josef Filipowicz, “[When explaining home prices, the fundamentals matter](#),” in Fraser Forum, December 21, 2018.

interest rates will negatively impact housing affordability. Many of these factors are beyond the control of municipalities or even the Province (e.g. interest rates).

*Supportive public infrastructure to service housing and its occupants*

Most public infrastructure in Ontario is owned and operated by municipalities.<sup>24</sup> Municipalities face significant challenges to fund emerging asset management plans to maintain it in a state of good repair.<sup>25</sup> In addition, municipalities in high growth areas, such as the GTHA, face the financial challenges of providing growth-related infrastructure to service new populations and developments. Development charges have been a vital revenue tool to enable municipalities to finance this growth-related capital work. Any attempts to reduce DCs to make housing more affordable will NOT reduce housing prices but WILL mean that municipalities will be less able to emplace requisite infrastructure to accommodate growth.

**How can we bring new types of housing to existing neighbourhoods while maintaining the qualities that make these communities desirable places to live?**

Notwithstanding numerous economic considerations (e.g. incomes, interest rates, supply, demographics, etc.), the provision of affordable housing can be enhanced when it is made a priority of governments, including municipalities, as well as developers and builders. New approaches such as inclusionary zoning and efforts to locate “missing middle” housing near existing infrastructure result in an array of housing choices at a variety of prices than would occur when such a focus is absent.<sup>26</sup> Additionally, builders and planners can look to underutilized sites and surplus properties in existing developed areas, or explore the potential of permitting accessory dwelling units.<sup>27</sup> These approaches often result in changes to approvals processes and thinking differently about providing housing for all income levels. The policy changes required to facilitate this may differ from place to place but without a change in culture or thinking about development of complete communities, we will not get the type of housing needed in the places that it is needed. In short, affordable housing needs to be established as a primary planning goal in the GTHA.<sup>28</sup>

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<sup>24</sup> Francine Roy, [From Roads to Rinks: Government Spending on Infrastructure in Canada, 1961 to 2005](#), Statistics Canada, 2008; A more recent citation: [Statistics Canada, Canada's Core Public Infrastructure Survey: Roads, bridges and tunnels, 2016](#)

<sup>25</sup> [Canadian Infrastructure Report Card](#), 2016

<sup>26</sup> Clayton, Frank; Schwartz, Geoff, [Is Inclusionary Zoning a Needed Tool for Providing Affordable Housing in the Greater Golden Horseshoe?](#), Ryerson University, 2015

<sup>27</sup> McKinsey & Company, [Housing affordability: A supply-side tool kit for cities](#), McKinsey Global Institute, 2017.

<sup>28</sup> Amborski, David; Clayton, Frank, [The Need to Make Housing Affordability a Primary Goal in Regional Planning for the Greater Golden Horseshoe](#), Centre for Urban Research and Land Development, 2016.

We think there are also parallels between asset management with respect to affordable and “missing middle” housing. Successful asset management planning requires input from all departments in a municipality and it needs to be viewed as a priority by council and senior management. In short, asset management often involves new ways of thinking about assets (e.g. life cycle costs, asset procurement, new technologies, etc.). Municipalities that are actively pursuing these types of options are re-engineering approaches to planning processes, approvals, capital planning etc. Processes that are better informed by planning, public works and finance considerations will yield better results with respect to having a full range of housing options located in the right places where they are supported by needed infrastructure. MFOA has played a leading role in promoting asset management planning at the municipal level in Ontario.

### **How can we balance the need for more housing and the need for employment and industrial lands?**

Building “missing middle” housing can have the benefit of reducing land consumption for housing. Building housing that makes better use of existing infrastructure by locating it near growth nodes and existing development can also contribute to a more efficient use of lands. These policies can help strike a balance between residential lands and employment and industrial lands.

Designating employment and industrial lands does not, of course, guarantee that employment will be created. A recent study of “complete communities” in the Greater Golden Horseshoe found a very uneven record of job creation among municipalities.<sup>29</sup> “Complete communities” have a robust mix of residential and employment uses where “people can live, work, shop and play locally without having to rely on automobile use.”<sup>30</sup> The study concludes that:

If employment growth continues to concentrate in a few municipalities (Toronto especially), but residential growth continues to be more widely dispersed, it becomes much more challenging for municipalities outside of Toronto, and especially in the Outer Ring, to attract adequate employment to ensure a local mix of uses.<sup>31</sup>

In other words, employment in the GGH has not occurred as projected in the Growth Plan and has not been distributed in a way that supports complete communities. The study does not offer explanations for the distribution of employment, but it does suggest that the employment objectives in the growth plan be revisited. Efforts should be devoted to understanding what types of policies might be needed to achieve a more even distribution of employment growth in the Greater Golden Horseshoe.

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<sup>29</sup> Complete communities are an explicit objective of the Ontario Growth Plan.

<sup>31</sup> Ibid., p. 8

### III.iii. Cost

The provincial discussion paper identifies a number of issues that stakeholders have brought forward to government around the scarcity of serviced land and its impact on housing prices as well as the economic viability of development.

A claim is made in the discussion paper that development costs in Ontario are too high because of high land prices and government imposed-fees and charges. Development charges, in particular, are identified as a charge that increases the costs of serviced land and housing.<sup>32</sup> This is a significant concern for us, as noted several times in previous sections, and our view is that this claim is based on inaccurate assumptions. DCs represent approximately 5-7% of the price of a new single-family home in the GTA and Ottawa. A recent study by the Royal Bank and Pembina Institute that examined the factors affecting home prices in the GTA concluded that, with respect to DCs, “the increase in these charges accounts for only a small fraction of the increase in home prices.”<sup>33</sup>

#### **How can we lower the cost of developing new housing while ensuring that funds are available for growth-related infrastructure (e.g. water and sewer systems, fire and police services, roads and transit)?**

It has been suggested that lowering DCs would make housing more affordable.<sup>34</sup> MFOA is of the view that reducing DCs will **not** lower housing prices nor increase land supply. Reducing DCs may actually result in complexities that could further exacerbate housing issues and create problems for municipal finance. MFOA is of the view that reducing DCs would be:

- Counterproductive:
  - Reducing or further restricting development charges would reduce supply, not increase it. Less funding from DCs means more competition for projects from other demands on property taxes and municipal revenue streams. Unless a priority, municipalities may not have the funds available to put the infrastructure in place needed for development to occur in a timely way.
- Inefficient
  - We are not aware of any evidence that shows reductions in DCs being passed directly to homebuyers through drops in house prices.

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<sup>32</sup> See a report prepared by the Altus Group for BILD, [Government Charges and Fees on New Homes in the Greater Toronto Area](#), April 2018.

<sup>33</sup> Cherise Burda, *Priced Out: Understanding the factors affecting home prices in the GTA*, Royal Bank of Canada and the Pembina Institute, November 2013, p. 15

<sup>34</sup> Ibid.



- Ineffective
  - Taxpayers and ratepayers would have to cover funds for infrastructure not recovered through DCs. This would result in higher property taxes and utility rates for municipalities with new development and create a disincentive for residents to support new housing.
- Expensive
  - Reducing DCs does not decrease the cost of growth-related infrastructure. Instead it transfers the cost to existing homeowners, which includes low income families and seniors. Significant increases in the whole cost of housing would be unaffordable for many.

Development charges are not a root cause of the affordable housing and supply challenge. As noted above, they represent approximately 5-7 percent of the price of a new single-family home in the GTA and Ottawa. This share has been relatively stable for many years.

The construction of every new house, especially in high growth areas, comes with a direct cost for serviced land and the community facilities demanded by homeowners (e.g. parks, libraries, recreation facilities). Reducing DCs does not reduce the need for the growth-related works. It merely reduces municipal revenues to pay for them and shifts costs to existing taxpayers and ratepayers. Additionally, reducing the development charge does **not** guarantee lower house prices. If more municipal operating revenues are needed to cover the cost of growth, it will be at the expense of maintaining existing capital assets, services, or current property tax rates. Shortchanging the public services Ontarians depend on is no way to build the communities people want to live in. Development charges are the right tool to fund the services and growth Ontarians depend on.

It has also been suggested that DCs should not be used to recover growth-related capital costs associated with water and waste-water infrastructure.<sup>35</sup> Reducing DCs for key services such as water and waste-water will reduce a municipality's ability to finance these works and will reduce the supply of serviced land. Other issues related to this approach include:

- It is unfair to existing homeowners and businesses, as they would see very large increases in their water rates to pay for infrastructure that does not benefit them. Municipalities, such as the City of Markham, have forecast significant utility rate and property tax hikes in a future without

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<sup>35</sup> Dachis, Benjamin, [Hosing Homebuyers: Why Cities Should Not Pay For Water and Wastewater Infrastructure with Development Charges](#), C. D. Howe Institute, August, 2018

- DCs, while the Region of Peel forecast huge increases in their top five business water accounts if water and wastewater DCs are eliminated.
- Municipal governments' efforts to properly fund their asset management plans would likely be compromised. The rate increases necessary for both growth and asset management would likely be unacceptable.
  - Opposition to growth may increase as homeowners become aware that growth is causing increases in their water rates.
  - There would be significant transitional issues as many municipalities have debt that is funded by future development charge revenue.
  - Higher water rates would reduce affordability for lower income residents.

### **Rural Communities**

In addition, it is important not to lose sight of the specific housing cost challenges faced by rural and northern communities in Ontario. Costs can be higher in more rural communities due to:

- Less existing transportation infrastructure,
- Fewer economies of scale,
- Longer distances travelled by materials and professionals,
- Shorter construction seasons (in the North),
- Fewer suppliers,
- More complex geographies,
- Bigger economic swings due to less diversified economies, and
- Smaller populations.<sup>36</sup>

Many of these challenges can increase the costs of development, as well as create obstacles for the construction of growth-related infrastructure.

### **III.iv. Rent**

The discussion document identifies a number of issues the government has heard about rental housing and landlord/tenant relations. For example:

- There is a shortage of affordable rental housing, especially in northern and rural communities;
- Some small landlords claim that requirements on landlords under the *Residential Tenancies Act, 2006* are onerous; and
- Creating new legal secondary units in existing dwellings is difficult because of Building Code requirements and local by-laws.

As noted above in Section II, MFOA supports full communities with a full range of housing options that are affordable as well as communities that provide

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<sup>36</sup> Woodrow, Maureen, [Challenges to Sustainability in Northern Ontario](#), Environmental Commissioner of Ontario, May, 2002.

employment and supportive public infrastructure and services to serve diverse communities in Ontario. This includes adequate rental housing choices for individuals, couples and families in all parts of Ontario.

We recognize, however, the additional difficulties in getting rental housing into northern and rural communities. Barriers include the difficulty for developers to find financing for rental housing, the smaller size of development coupled with the complexity of financing arrangements, the limited number of specialist developers in rural communities, and the availability of water/wastewater systems with needed capacity.<sup>37</sup>

### **How can we make the current system work better for landlords?**

Being a landlord is a complex undertaking that requires expertise in a wide range of skills including an understanding of:

- Statutory obligations and municipal by-laws
- Landlord Tenant Board procedures and documents
- Insurance
- Accounting
- Property management and maintenance
- Relationship management, including tenant communications strategies with tenants who might have challenges paying rent or meeting other obligations
- Dispute resolution mechanisms

In addition to these and other skills, landlords work in a changing environment. For example, the legalization of cannabis and changing provisions related to rent controls in Ontario are just two recent examples of challenges with which landlords, and tenants, will have to adjust.

The current system can be made to work better for landlords through a system of landlord education. Large landlords are likely well organized and resourced to undertake the various activities noted above. However, smaller landlords might benefit from services designed to educate and provide best practices on the range of issues landlords and their tenants face. There are organizations that already provide resources and education for landlords.

### **What additional protections should be provided for tenants?**

We are aware of a number of recent initiatives to enhance protections for tenants. For example, easy to understand leases for landlords of most private

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<sup>37</sup> Paddison, Laura, "[America's Affordable Housing Crisis isn't Just Hitting Cities](#)", Huffington Post, October 2, 2018.

residential rental units can help tenants understand their obligations and rights.<sup>38</sup> Provincial initiatives to disseminate information on tenant rights is also useful.

Helping tenants with understandable leases and streamlined procedures for landlord tenant disputes is laudable, significant issues for many tenants are not addressed through such mechanisms.

Some Ontarians are unable to find or pay for market based housing or rental units given their incomes. Others require social service supports to live independently in their housing. The provision of these supports is not the responsibility of landlords but of government at all three levels in Canada (i.e. federal, provincial and municipal). Recent initiatives in Ontario and from the Canada Mortgage and Housing Corporation (CMHC) have recognized the need to view housing in a comprehensive fashion that includes public, private and non-profit stakeholders in providing solutions.

### **How do we encourage homeowners to create legal second units and new rental supply?**

MFOA supports creative housing solutions and a range of housing options that can include legal second units on or in existing properties. Municipalities should be encouraged to work with various groups to see if such housing is workable in their communities. However, second units must not by-pass Building Code requirements and municipal by-laws intended to provide for the health and safety of tenants. Any efforts to streamline the process of creating second units should not be done by reducing the review and approval powers of municipal planning staff or building officials. Second units should also not be exempt from DCs since second unit occupants generate growth-related capital needs.

### **III.v. Innovation**

The consultation document seeks other creative ideas to help increase the supply of housing, offering up the following examples:

- Innovative forms of home ownership;
- State of the art building designs and materials;
- Creative building design ideas to improve the quality of the community.

In addition, the government is interested in gathering input on other issues that people face when trying to find or afford a home, including issues faced by new home buyers.

MFOA supports innovation in housing whether it involves innovative materials, designs, planning, financing or public sector supports for homeowners and renters. However, as a finance organization, MFOA defers to others on matters such as building industry innovation, new ownership forms, and the like. We

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<sup>38</sup> Ontario, [Renting in Ontario: Your rights](#)

support a number of recent initiatives that will result in innovation and benefits for those looking for housing.

As noted several times in this paper, our view is that the most significant innovations will be in the development of creative housing strategies that specifically address issues of housing mix, location and affordability for all incomes and housing needs. These strategies emphasize partnerships and working with development industry leaders to expedite new approaches to the provision of housing and more efficient use of existing infrastructure. The strategies that will emerge in municipalities that pursue them will be varied, as the circumstances they face will be different. However, without focusing on these issues and making them policy priorities, it is less likely a change in an approval process will produce the results we want from a holistic housing approach.

#### IV. Conclusion

Numerous questions raised in the consultation paper are best dealt with by municipal planners and building code officials. MFOA supports efforts to streamline approvals, promote affordable housing and promote innovation. However, we also caution that municipal powers to promote sound planning and protect the public interest not be eroded as we adopt new policies and approaches.

Our most pressing concern in the current debate deals with infrastructure financing. We are concerned about any new initiative that would reduce development charge revenues by expanding mandatory exemptions or other means. Further, development charges do not drive house prices. Therefore, reducing DCs will not reduce house prices. **Reducing development charges, however, will reduce municipal revenues and negatively impact a municipality's ability to finance growth-related capital works and negatively affect its long-term sustainability.** A reduced ability to finance growth-related works will only serve to delay or halt development and exacerbate housing supply problems. We conclude by repeating our position on development charges:

- Growth should pay for growth;
- There should be no ineligible services under the DCA;
- There should be no service “discounts”;
- Service levels should be forward looking and not based on historic service averages;
- There should be no new mandatory development charge exemptions.