

Laying the Foundation: How Municipalities can Utilize Existing Tools to Boost Housing Supply

by

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Author's Declaration

I hereby declare that I am the sole author of this Master's Research Paper (MRP). This is a true copy of the MRP, including any required final revisions, as accepted by my examiners.

Executive Summary

The current housing crisis has worsened the access to housing as a necessity for many, including society's most vulnerable groups. These groups include seniors, young adults, immigrants, and low-income earners. The housing crisis has been made worse by limited supply, an increase in second home purchasers or other forms of housing speculation, and a lack of purpose-built rentals. This paper explores the federal, provincial, and municipal government interventions to understand what is being done to increase the housing supply. Furthermore, municipal tools such as land-use planning, taxation, and policy direction are explored to see if these methods adequately address the crisis or if more needs to be done. Municipalities have a wide range of available tools, but their effectiveness and implementation may prove more difficult if not done correctly. Subsequently, if these tools are not used correctly, the housing crisis will continue to worsen. When examining the federal and provincial levels and their responses to the housing crisis, key indicators are presented by the Canada Mortgage and Housing Corporation (CMHC), Statistics Canada, and the Province of Ontario's Housing Taskforce Report.

The rapid evolution of the housing crisis and the forces of change that affect it results in a complex landscape. An analysis of the housing supply and demand landscape is done to contextualize the extent of the issue. Namely, what types of units are being constructed, who is buying them, and how long these units take to build. Portions of the housing stock are being used as investments rather than as necessary shelter. This financialization of housing has significant impacts on the supply of housing and must be adequately addressed to rectify parts of the housing crisis. A comprehensive, multi-stakeholder approach must be taken to resolve the housing crisis.

Beyond the systematic issues of financialization, the housing crisis is also made worse by the delayed implementation of policy reforms, the lack of experienced municipal planning talent, and delayed planning approvals. These concerns have been noted by the province, which has subsequently passed legislation to force municipalities to conform to a new set of rules to expedite planning approvals. To conclude, a series of recommendations will outline what municipalities must do to increase the housing supply without sacrificing additional regulatory safeguards.

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To my family and friends, thank you for your support and for listening to many housing-related rants.

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1.0 Introduction

Urban planning, specifically urban planning policy, provides the foundation for cities to grow. Municipal policy documents (by-laws, official plans, housing strategies) and provincial legislation can enable or hinder housing supply, and this is a crucial process to understand as the current housing demand exceeds the available supply. This research paper seeks to understand how municipalities can address the housing crisis through enabling more housing supply and what solutions can they implement to do so? The primary aim is to discuss increasing the housing supply, and this does not mean affordable housing unless explicitly mentioned. However, affordability is a key consideration in the discussion around housing supply as a lack of affordable supply most impacts many of society's vulnerable populations including, young adults, low-income earners, and new immigrants. This paper will utilize qualitative methods as it allows for openness and flexibility to capture the evolving housing situation in Ontario accurately (Köhler et al., 2022). Legislation and policy have vast considerations for interpretation and are often influenced by political ideology and forces of change in social and economic sectors. An analysis of legislation and policy will be conducted to provide recommendations that municipalities can implement to better guide the pathway forward in addressing the housing crisis.

The research objective is to formulate key findings that could impact municipalities meaningfully through a series of recommendations while acknowledging the existing constraints. This approach will balance political analysis, legal relationships, and contemporary urban planning issues. To determine these recommendations, existing literature and legislation will be examined to interpret and correlate the best approaches moving forward that could allow cities to respond to growing pressures for housing. To do this, the literature review will focus on four key sections, including housing, federal interventions, provincial interventions, and municipal tools and potential solutions. The housing section will provide context to the housing supply and demand issues. The following federal and provincial intervention sections will examine actions taken by these upper levels of government to address the crisis. The final municipal tool section will examine what municipalities are doing or could be doing to address the crisis. These tools include taxation, policy directions, and other innovative practices. Recommendations will attempt to remain feasible, highlighting the existing tools municipalities already have and requiring some creativity and decision-making to implement these strategies. However, to best

understand future direction, the existing supply and demand situation will first be discussed to frame the extent of the housing crisis. Using this data will set up the succeeding portion of the paper to understand which recommendations will be most effective and practical for implementation. Municipalities have many tools already at their disposal to address the housing crisis; this paper seeks to understand if they are being used most effectively or if new powers must be granted to them.

2.0 Literature Review

The literature review will start with existing literature on the landscape of housing supply and demand with considerations of the financialization of housing that has contributed to a lack of affordability. After the context of the situation has been set up, legislation and policy-making that impact municipalities will be reviewed to understand the changes in Ontario's planning regime. This section will focus on federal and provincial interventions. Then, an examination of tools and solutions that municipalities have available to them will be discussed. Finally, using examples from other jurisdictions and their use of innovative strategies will inform some of the recommendations presented in the findings section for Ontario's municipalities.

2.1 Housing

Housing is a broad and highly researched topic in urban planning, for relevance to this paper, literature has been analyzed based on housing supply and affordability. These two issues are two of the most pressing issues regarding the housing crisis and the focus of this paper. The following sections will contextualize the housing situation by providing data on the current supply and demand, issues facing housing, and demographics of those being impacted.

2.1.1 Housing Supply Issues

Even with limited autonomy, municipalities have some options for fostering an environment supportive of responsible development through zoning tools, development charges, and promoting denser communities, less sprawl, and more infill development. Housing supply has failed to keep up with steady population increases, including a record-breaking one million new residents in 2022, primarily fueled by immigration (Bharti, 2023). Furthermore, new residential developments have focused on single-family detached dwellings or high-rise condos over medium-density housing options (Canadian Mortgage and Housing Corporation, 2021). At

this rate, Canada will fall well behind its goal of building 22 million units by 2030, 3 million more than currently projected at 19 million by 2030 (Canada Mortgage and Housing Corporation, 2022a).

Beyond housing availability, the housing crisis is made worse by growing capital costs, high taxation on housing, labour shortages, and minimal investments in social housing have created a lack of affordable units and accessible options for the middle class. Canada has the lowest number of social housing units amongst OECD countries at 3.5% or approximately 655,000 units, and a significant need to dramatically increase the quantity of units (Young, 2022). Moreover, development charges and taxes have increased significantly, increasing the price of a new home (The Canadian Centre for Economic Analysis, 2023). This primarily impacts young people and immigrants seeking to break into the housing market, while established homeowners are spared from these fees. Additionally, policy loopholes have allowed the financialization of housing to rapidly increase through converting units from long-term housing to vacant investments or short-term rentals (Tretter & Heyman, 2021).

To further understand Ontario's housing profile, the province's population has grown 68% since the 1970s, but new housing unit completions have dropped 23% (The Canadian Centre for Economic Analysis, 2023). With immigration needed to maintain economic growth in the province, additional housing is required to accommodate the growing population. Furthermore, the added problems around affordability have been impacted by the approximate 30% of the total construction cost going towards taxes (The Canadian Centre for Economic Analysis, 2023). The worst contributor to this situation is the federal government which takes 39 cents of every \$1 of tax revenue generated from the creation of a new home in Ontario but only invests 7 cents back into the province through infrastructure funding (The Canadian Centre for Economic Analysis, 2023).

2.1.2 The Landscape of Supply and Demand

CMHC predicts that 2023 will result in fewer housing starts due to rising interest rates and increased construction costs, further complicated by labour shortages in related sectors (Canada Mortgage and Housing Corporation, 2023a). The primary focus for developers has been to produce units to increase the housing supply. This has been noted through higher-than-average

construction of apartment/condo units over all other types, including single-detached, semi-detached, and row – as noted in Figure 1 (Canada Mortgage and Housing Corporation, 2023b).

Region	Share (%) of housing starts by dwelling type							
	Single-detached		Semi-detached		Row		Apartment	
	2022	Average 2017–2021	2022	Average 2017–2021	2022	Average 2017–2021	2022	Average 2017–2021
Vancouver	13.1	15.1	4.0	2.1	8.7	11.3	74.2	71.5
Calgary	33.2	35.4	9.0	10.3	13.0	14.0	44.8	40.3
Edmonton	42.3	42.3	6.6	13.1	12.0	12.8	39.1	31.8
Toronto	14.0	17.6	1.1	2.3	12.5	12.0	72.3	68.1
Ottawa	23.2	32.0	2.2	3.6	23.3	28.4	51.3	36.0
Montréal	7.6	9.7	2.1	2.9	3.4	4.9	86.9	82.5

Source: CMHC

Figure 1: Percentage of housing starts by dwelling type, select CMAs, 2022 and most recent 5-year period.

The pandemic saw a rise in housing demand with inadequate levels of supply; as a result, this high demand and low supply has driven up housing prices. The limited supply has increased inadequate housing types to meet one's needs – mainly due to affordability. People have to compromise on location, size, or type to afford the unit, whether purchasing or renting. Figure 2 demonstrates that unabsorbed units in Canada's major CMAs are at an all-time low, showcasing the limited supply of available units and that housing starts are failing to keep pace. With a projected reduction in housing starts in 2023 it is only expected that the price of housing will continue to increase. For the Province of Ontario to meet its ambitious housing goal of 1.5 million new units over ten years, significant investment will be needed in attracting qualified construction labourers and incentivizing construction as a career path for secondary school students (Canada Mortgage and Housing Corporation, 2022b).

Table 6: Number of unabsorbed new units*, select CMAs

Region	Average 2015–2019	2022	% change
Vancouver	1,886	1,059	-43.8
Calgary	1,734	680	-60.8
Edmonton	2,246	1,711	-23.8
Toronto	1,175	530	-54.9
Ottawa	638	229	-64.1
Montréal	2,509	763	-69.6

*Freehold and condominium units.

Source: CMHC

Note: Data for December represents the annual data.

Figure 2: Number of unabsorbed new units in major CMAs

2.1.3 Who is Buying Housing Units?

Given the restrictive access to mortgages because of the increased threshold for qualifying via the stress test¹ and coupled with less buying power due to inflation, institutional homeownership is on the rise and expected to continue (Arsenault, 2022). Currently, CMHC or Statistics Canada does not track the number of institutional owners of residential properties or the type of units they purchase. This presents issues with gathering a fully accurate picture of who is buying homes in Canada. Increasingly, homeownership is concentrated to wealthy individuals, with 31% of properties in Ontario being surplus to one's primary dwelling (Statistics Canada, 2022). This financialization of housing increases competition over available stock for housing, primarily against those seeking to purchase their first home. Indicators in the US show that second home purchases have negatively contributed to the boom and bust of housing markets as it promotes a false demand and over-construction of units (García, 2021). This effect is often a good forecast for the Canadian market, albeit at a smaller scale.

Moreover, entering the housing market is a significant challenge as the cost is substantially higher than renting. First-time home buyers in Toronto had a median income of

¹ Introduced in 2016, the mortgage stress test is a calculation done to ensure you can still make your mortgage payments if interest rates were to rise (Rolfe, 2023)

\$55,000 versus \$25,000 for renters (Statistics Canada, 2022). A lack of affordable rental units imposes barriers to saving enough money in a reasonable time to buy. As a result, if potential buyers are priced out of the market and instead fill rental vacancies, the most vulnerable users cannot find affordable housing.

2.1.4 The Financialization of Housing

The decade-long amendments to housing policy and mortgage securitization have climaxed during the post-COVID-19 Pandemic with the unattainability of housing. Past and present neoliberal reforms have favoured “deficit reduction and free markets served to justify massive retrenchment and cuts” rather than adequate government investment in social housing (August, 2021; Walks & Clifford, 2015). This was intensified by Premier Mike Harris in 1995, which started a wave of “restructuring [which] included tax cuts, privatization, deregulation, attacks on the poor and labour, and the restructuring of health care and housing” (August, 2021). Further complicating the relationship between the province and local government was the downloading of social housing, the suspension of funding for affordable housing, and the introduction of the *Tenant Protection Act, 1997*, which allowed vacancy decontrol, amongst other changes. Vacancy decontrol permitted landlords to raise rents to market values rather than limited increases between residencies. This incentivized landlords to evict longstanding tenants and renovate units to raise monthly rent values.

The housing crisis reflects where housing as a commodity and as a necessity meet. The increased reality of the financialization of housing comes at the expense of those who require housing as a primary shelter (August & Walks, 2018). Short-term rentals are depleting the housing supply from those that need shelter in favour of those seeking to profit from housing. The control and management of these rentals are crucial for ensuring housing supply remains boosted, and more units are not converted to short-term rentals (Valentin, 2021). Furthermore, the recent non-resident speculation tax, vacancy tax, and a ban on foreign homebuyers are all steps from upper levels of government that support municipal efforts to produce more housing. These measures will take time to have a ‘cooling’ effect on the demand for housing but are incremental steps in bolstering housing stock (Younglai, 2023).

2.2 The Legislative Context

To inform the analysis of how municipalities can respond to the housing crisis, legislation and policy are central to understanding what local governments are permitted to do. Primarily, the Government of Ontario produces the most relevant pieces of legislation when discussing the solutions to the current housing affordability crisis. The focus is on four² pieces of provincial legislation enacted since 2018, and only some reference to legislation is made prior to this date. A detailed summary of each piece of legislation can be found in **Appendix 1**. The limited mention of legislation earlier than 2018 is for context-setting, establishing a timeline, and ensuring the quantity of information remains manageable.

Moreover, the new legislation around housing in Ontario and the novelty of the housing crisis's severity have resulted in a gap in the available academic literature. In parts, articles have been written in specific areas of housing policy, such as financialization. Still, few have approached it from a municipal solutions-based point of view in recent years. Some literature exists on previous housing crises, notably in the 1990s, but few academic sources are present regarding municipal solutions. Furthermore, given the fast-paced nature and rapidly evolving situation around housing in Ontario, grey literature will be used because of the timeliness and rapidly changing planning environment. Academic literature struggles to keep up with the rate of change in planning legislation. So, this literature will focus on provincial impacts on municipalities and future pathways for municipalities to strengthen their positions as a stakeholder in resolving the housing crisis.

2.2.1 The Main Four Pieces of Provincial Legislation

The goal of these four recent pieces of legislation, introduced under Doug Ford's Progressive Conservative Government, has been to address the housing crisis, remove red-tape, and impose provincial priorities onto local governments. The key legislation examined within this paper is the *More Homes, More Choice Act, 2019* (Bill 108), *More Homes for Everyone Act, 2022* (Bill 109), *Strong Mayors, Building Homes Act, 2022* (Bill 3), and *More Homes Built Faster Act, 2022* (Bill 23). Some of the changes have put municipalities at a disadvantage with the reality of possibly having to refund development fees and hiring consulting firms with natural

² A fifth was introduced on April 6th, 2023, and was not included in this paper given the recent introduction. More information can be found in **Appendix 1**.

heritage expertise as Conservation Authorities are no longer mandated to review this feature (*More Homes Built Faster Act, 2022*).

The *Strong Mayors, Building Homes Act* can validate the move towards changing municipal government to conform to provincial priorities. This change brought the city council structure of Ottawa and Toronto into a more similar system to those in the United States. The mayors of Ottawa and Toronto have been given executive powers to veto by-laws that go against provincial priorities and numerous other powers in efforts to fast-track housing and other processes (Sohrevardi, 2022). Other supplementary legislation to this paper can include the *Better Local Government Act, 2018* (Bill 5), as this change slashed the Toronto City Council from 47 to 25 in the middle of the municipal election. After much contention, the Supreme Court of Canada sided in a split decision with the province to allow the reduced council. It highlights the ability of the province to change the legislation that governs municipalities as they deem appropriate since the municipalities receive their powers from the province.

2.2.2 Complementary Legislation

Two additional pieces of provincial legislation worth mentioning are the *Planning Act* and the *Municipal Act*. These two pieces of legislation enable the authority of municipalities and permit and control activities related to planning. The Planning Act was first introduced in 1946 and replaced the 31-section-long Planning and Development Act (Wood Bull LLP, 2019). The Planning Act controls the creation of Official Plans, land-use controls, the subdivision of land, and public input on the planning process (Government of Ontario, 2023). The Planning Act works in association with the Greenbelt Act, 2005; Oak Ridges Moraine Conservation Act, 2001 and other land-use control provincial statutes. Furthermore, the *Municipal Act* outlines the powers of municipalities, including the structure of council, and recently introduced amendments to the Act under Bill 3 for ‘strong mayor’ powers to the head of council in Ottawa and Toronto (Association of Municipalities Ontario, n.d.).

Moreover, some Federal Acts can be included to guide the historical governance of the housing market in Canada. The financialization of housing has been more closely tied to a national issue, while the standards and permittance of construction are run through the province. The federal corporation, CMHC, was instrumental in providing affordable and quick-to-build houses immediately following World War II. The *National Housing Act* and related policies have

lost some relevancy after incrementally downloading the responsibility of housing to the provinces from the 1960s to the 1990s. In 2019, Justin Trudeau's Liberal Government introduced the *National Housing Strategy Act*. This legislation aims to create more housing supply, modernize existing housing, and provide funding to the provinces over the next ten years. This multi-billion-dollar commitment proposes housing for the future generation but numerous issues, including labour shortages, government capacity, and approval processes are delaying implementation.

The *National Housing Act, 1938* and the removal of the federal government from the housing business in the 1990s resulted in legislation that sided with the private market and promotion of homeownership rather than rental, as witnessed in Bélec (2015), Hackworth & Moriah (2006), and Wolfe (1998). Political rationale must be explored to understand these motives. Jessop's (2002) article explores liberalism, neoliberalism and how these theories impacted urban governance through political means. In the reality of changing political regimes and ideology, Ontario, and North America more generally, have not moved past the neoliberalism preference for less government-managed entities.

Additionally, Zhang (2019) applies an instrumental breakdown of the levels of government and their involvement with housing. Zhang focuses on affordable housing policy through financialization, which is a driver of the housing crisis and a key priority to resolve in addition to boosting the housing supply. If the housing market continues to be viewed as a commodity rather than a necessity, it will continue to worsen and leave the most vulnerable in a difficult position with few options for housing. All levels of government must emphasize that multiple solutions are needed to fix the current situation (Zhang, 2019).

2.3 Federal Government Intervention

The federal government's role in housing is limited due to the division of powers under the Constitution. Municipalities are not recognized in the Constitution and are creatures of the provinces. However, the federal government can enact housing policy in relation to taxation and control mortgage financing through the CMHC. This federal policy should enable housing production to meet demand, providing mortgage assurance and assistance to those who cannot afford housing (Wolfe, 2003). In the 1990s, the federal government downloaded social housing to the provinces and eliminated funding by the mid-decade. Social housing was significantly

reduced and, in some circumstances, outright stopped (Wolfe, 1998). Homelessness in cities increased after the reduction in funding and continues to grow at an alarming rate throughout the current affordability crisis (Wolfe, 1998). This coincided with the rise in neoliberalism in the late 1970s that focused on less state intervention for more personal self-determination and reduced government spending – creating long-lasting harm to social institutions in the western world (Kalman-Lamb, 2017). Housing institutions that the federal government had managed were diminished or had their mandates reoriented. For example, CMHC was instrumental in addressing the unprecedented demand after WWII and increased demand for housing (Stoney & Graham, 2009). CMHC relied on prefabricated units to respond to the demand, understanding that the free market could not tackle the problem on its own and within a timely manner. This prefabrication allowed for cheap and timely construction of housing to support employees in the manufacturing sector and returning veterans and their families (Oberlander & Fallick, 1992). A strong federal housing institution that can set effective urban policy is crucial for meeting housing supply targets (Wolfe, 2003).

When the federal government removed its funding, it was devastating for social housing as it contributed 75% of the expenses while the provinces covered the remaining 25% (Vakili-Zad, 1996). Now, the federal government can be an effective policy partner for the provinces and can act upon national housing issues, such as the foreign homeowner's ban (Younglai, 2023). Additional policies can be developed in collaboration with the provinces to enable the CMHC to remove barriers to housing. The CMHC remains a vital organization concerning housing, affordability, and monitoring. The CMHC has evolved from its historical scope of providing and managing social housing to a policy regulator. As a result, more comprehensive solutions should be explored to manage federal issues related to housing supply. Implemented policies through the federal government include the mortgage stress test to prevent some foreclosures and the foreign homebuyer ban to prioritize Canadian residents for home-buying. Other potential impacts from unattainable housing in some provinces result in brain-drain, struggles to settle new immigrants in appropriate housing, and young adults living with their parents longer and foregoing starting a family (McGrath, 2022).

Furthermore, a point of conflict is the ability of the federal government to deliver on promised budgetary items and initiatives due to a lack of capacity. The National Housing Strategy has promised \$11.2 billion in spending on affordable public housing over 11 years but is

heavily backloaded, meaning that only \$3.1 billion will be spent in the first five years (Kalman-Lamb, 2017). This has been an increasing issue for all levels of government as the plans cannot become action promptly. As mentioned, the *National Housing Strategy Act* has promised billions of dollars in funding to the CMHC and the provinces to build affordable housing units. However, in 2022, Infrastructure Canada and the CMHC failed to deliver on proposed projects indicating an ongoing failure or inability of the federal government to big turn ideas into a reality (Berthiaume, 2023). Whereas the federal government could be a collaborative partner with provinces, it fails to spend earmarked funds, limiting its effectiveness. Where the federal government has committed funds, the costs have been high for limited results. For example, in March 2023, it was announced that the Housing Accelerator Fund (HAF) would give \$4 billion to local governments to fast-track the construction of only 100,000 new units across Canada (Government of Canada, 2023a).

The federal government has other innovative solutions it could deploy but lacks the capacity to do so. For example, the numerous federal-owned office buildings throughout cities in Canada that have largely been empty over the pandemic could be converted to affordable housing units (Canadian Urban Institute, 2023; Public Services and Procurement Canada, 2023). The scope of this undertaking and required project management would be overwhelming for the federal government, given the constraints already experienced on project implementation (Goudge, 2022).

2.4 Provincial Government Intervention

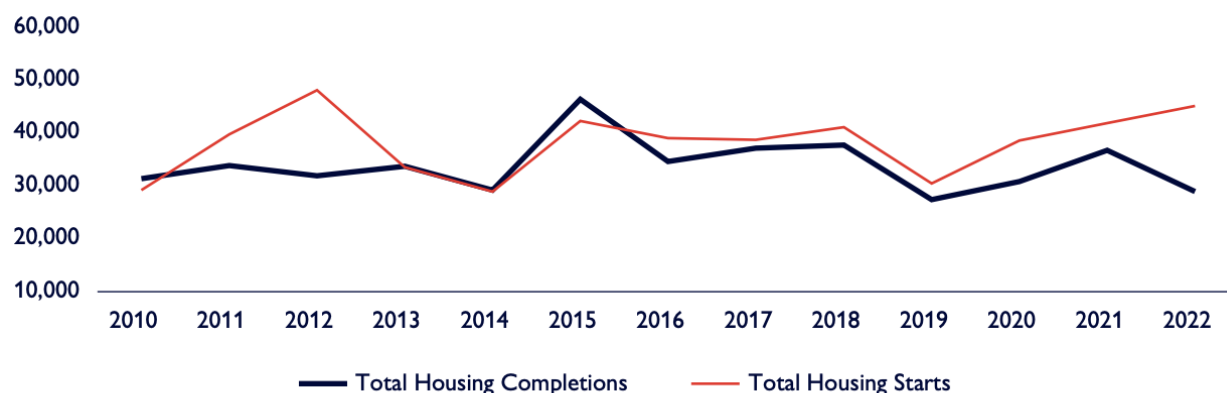
Once the federal government removed itself from funding and management of social housing, the provinces were left to continue to meet the demand. However, given the expensive price tag associated with housing and to reduce government spending, the Province of Ontario halted or cancelled all funding to social housing and sold off any units it managed. Additionally, the provincial government further downloaded social housing to local governments and amalgamated numerous municipalities, reducing the total amount by approximately 50% (Miljan & Spicer, 2015; *Savings and Restructuring Act, 1996*). This lack of investment by both senior levels of government put the thousands of families that relied on social housing into difficult positions; while options were given to buy their units, the lack of new units weakened Ontario's position in providing affordable housing as the population grew. Now, many regions have a

chronic shortage of social housing units and a growing number of those experiencing chronic homelessness.

When discussing the province being interventionist in municipal affairs, some caution can be raised after examining historical reforms by the province. Former Premier Mike Harris introduced legislation to cut Ontario’s municipalities from 850 to 444 to cut costs, promote service sharing, and reduce duplication of government services (Miljan & Spicer, 2015; Preston, 2001). During the amalgamation process, the most senior staff often kept their jobs, resulting in all the highest-paid people being kept, increasing the staffing expense of municipalities. Services decreased as they had to serve more people, and this move contributed to a less local government as communities from vast distances were centralized under one government (Preston, 2001). In the case of the City of Ottawa, formerly 13 municipalities, now had to govern, arrange services, and direct resources appropriately to different communities (Miljan & Spicer, 2015).

2.4.1 Housing Task Force

As recently as April 2023, rental unit starts have risen due to interest by developers because of increasing rental prices. This has been primarily in all Census Metropolitan Areas (CMAs) except Toronto (Canada Mortgage and Housing Corporation, 2023). Available housing supply of new units left vacant after construction is at an all-time low, further exacerbating the difficulty in finding affordable housing for many. In 2022, more than 100,000 units were under construction for the CMA of Toronto, indicating promising outlooks for long-term housing supply goals, but unit completions and starts will need to increase to meet the demand (Canada Mortgage and Housing Corporation, 2023).



Source: CMHC

Figure 3: Annual Housing Starts & Completions in the Toronto CMA

The Province of Ontario created the Housing Task Force to present the government with solutions to the housing crisis. Chaired by the CEO of Scotiabank, critics were skeptical of the types of recommendations that would be presented (Powell, 2022). Some of the proposed findings recommended zoning ‘as of right,’ which was included in Bill 23 to permit three units on one property. Other recommendations include but are not limited to no parking requirements for development along transit lines, support growth on undeveloped land, increase height and density to unlimited around major transit station areas, permit as of right the ability to convert underutilized commercial to residential, multi-tenant housing, and garden suites, and unify zoning standards across the province (Housing Affordability Task Force, 2022).

Some legislative changes made under Doug Ford have benefited developers, opened hazardous lands or greenfield sites for development, and stopped short of addressing critical issues (Freeman, 2022). Not listed within the Housing Task Force Report, but within some literature based on examples in the United States, is the potential of granting municipalities the ability to collect sales tax to raise revenues for affordable housing and other expenditures (Reinagel, 2013).

2.5 Municipal Government

A complementary section of literature is the ability of municipalities to make decisions and their autonomy to act, which sometimes can be restrained by their dependence on the province. Although discussions and literature have expressed the potential to enact more autonomy and self-determination via constitutional recognition for municipalities that could leverage additional taxes and implement planning goals that differ from the province, this is an impractical pathway for resolving the housing crisis (Siegel & Tindal, 2006; Starr & Pacini, 2001).

Meanwhile, American cities receive their powers from states, similar to the system with the provinces, but some states have permitted their cities the ability to impose their own sales or income tax to increase revenues that strengthen their resiliency and ability to address local priorities (Pagano & Hoene, 2018; Green, 2014; Busch et al., 1999). Arguments favour this approach come from sharing the tax burden amongst visitors, regarding a sales tax, and residents. As property taxes are only for property owners, visitors who also use city resources should have to pay for their use of amenities (Slack, 2013). As seen in the United States and presented by

Pagano and Hoene (2018), cities with diversified revenue streams were most fiscally sound and could react to upper-level of government changes easier and quicker than cities without the same revenue sources. These resilient cities had diversified streams along property, sales, and income taxes – but only permitted by states that allowed cities the power to impose these taxes. In a Canadian and American context, if the pressure continues to be placed on cities to respond to an increasingly tumultuous housing market, then their fiscal autonomy will need to be strengthened to raise revenues without solely putting the bill on development charges and property taxes (Sancton, 2022; Slack & Bird, 1991; Tomalty & Skaburskis, 2003). While Canadian cities rely almost exclusively on property taxes, half of the cities in the United States rely on a blend of property taxes, sales taxes, and user fees to generate revenue – displacing some of the burdens off residents and onto the general population, including visitors (Pagano & Hoene, 2018).

An analysis of other jurisdictions can be done to speak to the impracticality of granting municipal autonomy. Australia has tried numerous times to pass a constitutional referendum to recognize the municipal government level. Twomey (2012) discusses the outcomes and lessons learned from the endeavour. Mainly, recognition needs an objective, an outcome that cannot be achieved currently because of the structure of government and autonomy. The United States Constitution did not refer to local government, Canada's mentioned 'municipal institutions of the province' and Australia's only that local government was a subordinate of the states (Twomey, 2012). Enacting legislation to recognize municipalities as a distinct level of government would empower local decision-making. However, given the resistance by some municipalities to build denser housing, the solution to boosting the housing supply can be done through existing tools without constitutional amendments (Mosonyi & Baker, 2016).

Creating a more direct relationship between the federal and municipal governments is unnecessary. The federal government already has the *National Housing Strategy* and could further strengthen its urban policy and municipal funding through the provinces using the Canada Community-Building Fund (formerly the Gas Tax Fund) (Infrastructure Canada, 2022; Government of Canada, 2019). By operating within the current system and using the CMHC to implement policy, it would avoid numerous constraints around the divisions of power (Stoney & Graham, 2009; Wolfe, 2003). Municipalities can implement robust policies that boost housing without changing the system utilizing the existing framework.

Allowing for greater municipal autonomy would distract from solving the housing crisis and create additional conflicts. Greater autonomy could strengthen local mandates and deliverance of services, but it could also lead to localist thinking that creates divisions within communities (Keil, 2000). Provincial oversight of municipal affairs is crucial for a uniform vision on planning matters and having the right of *intra vires* (Mosonyi & Baker, 2016). As seen in the United States, wealthy suburban communities that remove themselves from cities to concentrate their wealth only to their communities weakens school funding and other services (Keil, 2000). A hybrid approach can be suggested from the existing literature to balance greater decision-making powers granted by the province while incorporating provincial oversight for consistency but respects individual communities and their planning goals.

Some municipalities have outlined their housing goals through a policy document known as a housing strategy. A high-quality housing strategy should outline current targets and outcomes for local housing supply, including housing type, intensification areas, and promotion of infill development like encouraging garden suites, and be evaluated against a SMART goals framework. This SMART goal framework stands for Specific, Measurable, Achievable, Relevant, and Timely and can ensure that goals are tangible and can be monitored for effectiveness (Seasons, 2021, p. 67-76). In relation to housing, solutions and their implementation often take many years to create a noticeable change, further relying on the importance of monitoring and evaluating housing strategies to ensure their effectiveness.

2.5.1 Solutions – Municipal Tools

Numerous solutions have been proposed to address the crisis but are constrained by local abilities and compatibility with provincial legislation. Some of these solutions are being implemented by other jurisdictions including Calgary's empty office to residential conversion program and structural alterations to American cities to streamline planning. Ontario's multi-year-long amalgamation in the 1990s to eliminate service duplication contrasts with some calls within American cities. Los Angeles faced calls from suburban neighbourhoods to secede due to the stigmatization of the inner city. As Keil (2000) described, these actions contribute to political polarization, paving the way for biased decision-making, not long-term citizen-oriented planning. Additional solutions may lie within the United States, as Hornick (2011) reviews the empowerment of US city mayors and their executive powers compared to Canada's head of

council-style governance. The Ford Government has now, in part, implemented this style of governance for the cities of Toronto and Ottawa with the passage of *Strong Mayors, Building Homes Act*. Makuch & Schuman (2015) discuss the executive power for mayors at length as they raise caution over allowing more autonomy to municipalities without higher safeguards.

Moreover, municipalities are becoming proactive in handling different planning struggles. As climate change becomes increasingly urgent, all levels of government must collaborate on solutions. Martin, McKay, & Ballamingie (2017) indicate that the increased autonomy over environmental by-laws is helping municipalities advance different goals and build resilient communities. Now, the province has repealed some green development standards and other planning guidelines, citing added complexity to planning approvals, inconsistency across the province, and added costs to construction (Syed, 2022).

Environmental autonomy was reduced by Bill 23, resulting in municipalities scrambling to hire qualified staff to review natural heritage concerns as Conservation Authorities had their mandates reduced. Subsequently, more municipalities are contracting planning reviews to consulting firms (Momani & Khirfan, 2013). This new reliance of the private sector and the private-public partnership (PPP) model could be a solution for building social housing. Although significant issues have been presented with the use of PPPs, there is potential to promote sustainability and housing supply through this model if done correctly (Batra, 2021; Kayden, 2017).

Another solution via PPP and land-use planning is the opportunity to convert underused office space to residential. For example, the City of Ottawa, home to a wealth of federal office buildings could ask the federal government to convert a portion of these units. Support for this can be found in Whiteside (2020) and Heath (2001), as these two authors discuss building conversion and the massive real estate portfolio owned by the federal government. These articles have become outdated since the work-from-home environment began during COVID-19, resulting in the massive real estate portfolio becoming vacant. This would not be unique to Ottawa, cities such as Calgary and Los Angeles have undertaken similar programs to increase housing supply.

Affordability can be worsened through the inappropriate application of development charges, adding up to \$116,000 to the price of new homes in the GTA when analyzing municipal development charges (City of Vaughan; 2023; D'Mello & Callan, 2022). When the costs of

development charges add a significant amount to housing, it indicates a disconnect between municipal fiscal planning and urban planning objectives (Tomalty & Skaburskis, 2003). As such, provincial interventions through Bill 23 have reduced development charges by 20% with an incremental return to current levels in five years (Dentons, 2022b). This may benefit housing prices temporarily, but it comes at the expense of municipal revenue for infrastructural growth. Significant reforms can be made to development charges as the current regime is not working; if done in conjunction with the Community Benefit Charge (CBC), reasonable collection of funds can be reinvested in social housing while not overburdening the cost of a new home with taxes (Needham, 2000; Sancton, 2022; Slack & Bird, 1991). Additional academic studies on the current development charge regime and other revenue streams like the CBC would greatly benefit the practice and planning academia to understand better the effects and influences of these charges on housing development.

2.6 Lessons Learned from Other Jurisdictions

Other jurisdictions are also struggling with housing supply. Within Canada, the City of Calgary has developed an office conversion program in their downtown to maximize housing. The vacancy rates in office space escalated dramatically over the pandemic, reducing tax revenue for the city and deteriorating the condition and vibrancy of the downtown. The funds earmarked for the conversion program are an effort to creatively produce housing supply quickly. This revitalization effort will also see revenue streams return to the city through increased property tax collection. Similar to Calgary, the City of Los Angeles is exploring options to meet its rapidly growing demand for housing through commercial building conversions (Charles & Guna, 2019; Zhu et al., 2021). A local study demonstrated 2,300 potentially underutilized commercial properties that, if converted to residential, could produce 72,000 to 113,000 units – representing approximately 9-14% of the total housing needed by the decade's end (Ward, 2022). Other cities are exploring programs for underutilized building conversion (Heath, 2001).

The Communities Plus Program in Sydney, New South Wales, is utilizing its power as a public entity to maximize housing on public lands. This is being done in partnership with private stakeholders to develop social housing. This project represents a \$22 billion investment in social housing within New South Wales. Furthermore, it demonstrates the benefits of public and private collaboration to produce timely housing starts (NSW Land and Housing Corporation, 2023).

A significant barrier to timely housing projects is the labour shortage within the construction industry. Billions can be budgeted for housing projects, but with limited labour available to build them, housing is still not being built fast enough. The mayor has created the Mayor's Construction Academy in London, United Kingdom. This program is designed to give residents the necessary training and connections to start working in the construction industry. The desired outcomes of this program are to improve the supply of skilled workers, provide high-quality training, and support development (Greater London Authority, 2022).

2.6.1 The Housing Crisis – A Note from the United Kingdom

This paper focuses on discussing municipal solutions to boost the housing supply, but there is no one solution to resolve the housing crisis. A return by the province in social housing will be needed to meet affordability goals, and municipalities do not have the funds to undertake social housing to the required level. Furthermore, examining ongoing housing pressures in the United Kingdom, similar events are unfolding with calls to open London's Metropolitan Green Belt for development as it is labelled as available land to construct housing (Cheshire, 2014). An overemphasis on supply detracts from other perspectives of the housing crisis, such as affordability and the financialization of housing (Gallent et al., 2017). In Ontario, the steps taken so far by the provincial government have seemed to be in favour of developers rather than a holistic solution, including social housing funding. This can be attributed to an obsession with producing supply rather than a multifaceted approach. Growing supply alone cannot solve the housing crisis, particularly the affordability of it (Gallent et al., 2017; Williams, 2016). The emphasis on this one solution is described as "the supply-side fetish, in which incentivized developers and overhauled planning laws create enough housing for all" (Williams, 2016). Canada and the UK experience similar issues with foreign investment in housing and its destructive nature on affordability and vacancy of units that negatively impact neighbourhoods (Hunter, 2016).

2.6.2 Hamilton's Housing and Homeless Action Plan

One example of note in Ontario is the City of Hamilton which launched its Action Plan in 2020. The city has deployed SMART goals to track its progress on five key priorities. These priorities include more affordable rental and ownership to meet demand; more affordability and

housing choice; support for individuals to obtain and maintain housing; creating good quality and safe housing; and ensuring equity in housing and related services (City of Hamilton, 2020).

Only examining the first goal, the Action Plan has six implementation actions that partially include the modernization of rules and regulations to minimize rental to condo conversions, support social housing providers, leverage city-owned assets to create affordable housing, promote innovative approaches to reduce timelines and costs, enact innovative planning rules like inclusionary zoning, and utilize private-public partnerships where appropriate to build housing (City of Hamilton, 2020). Many of these ideas are presented within this paper to provide municipalities with a pathway to boost housing, and Hamilton is a model for policy amendments. The city's continued monitoring and reporting to the Ministry will be crucial for evaluation, implementation, and revisions as necessary.

2.7 Future Research Directions

After compiling and analyzing the literature on the topic, it is evident that gaps exist, and past research has not encompassed the same scope. Some articles discuss specific jurisdictional issues such as climate change or housing, but few approach the matter from a municipal resolution standpoint. From my search, few articles focus on how municipalities can respond to the housing crisis using existing tools. In contrast, some 'grey articles' exist for recommendations on addressing the housing crisis. It highlights the importance of grey literature that has filled a gap in existing academic research as the housing crisis rapidly evolves and new government policies that influence the situation are enacted. There are quite a few government publications and news articles that can help advance the understanding and analysis of jurisdictional autonomy and solution implementation. These news articles have the added benefit of being more relevant as they are written with the pandemic in mind and up-to-date on recent legislation, while most academic journals take time to be published.

The themes within the literature present areas of knowledge in relation to municipal decision-making, the issues contributing to the housing crisis, and solutions to boost the housing supply. Combining these themes allows for recommendations to be presented that will enable municipalities to boost housing and be a serious partner in resolving the crisis. Academic literature on certain aspects of the housing crisis is minimal, particularly solutions like the foreign homebuyer ban, as it has not been implemented long enough to have a measurable

impact. The reliance on grey literature is necessary to understand the fast-paced legislation changes in an urgent effort to reign in housing prices.

3.0 Research Design

The research design for this paper explores contemporary Ontario housing policy and how the housing supply can be increased. The research will be done through qualitative methods, using government databases, the University of Waterloo online library, the Carleton University online library, news outlets, and Google Scholar to find sources. Qualitative methods will capture the social impacts of housing policy in a holistic manner that is better suited compared to quantitative methods. This is a strength of qualitative methods that can better capture emotions and situations that the housing crisis has had on people. The existing literature is not exclusive to qualitative means, as some sources compiled within utilize a mix of qualitative and quantitative data collection. However, for the scope of this paper, qualitative will be the preferred and most accurate method. The primary use of qualitative data presents challenges that include the accuracy of synthesizing and organizing themes, a time-consuming review process, and a level of interpretation and subjectivity that is not as present in quantitative means. These constraints are noted and efforts to compile multiple, high-quality sources have been undertaken to limit varying interpretations and maintain consistency in the conclusions from the existing literature.

3.1 Data Rationale

To achieve the aforementioned, sources will focus on qualitative data as few quantitative methods would provide insight not already captured effectively by qualitative means. There will be substantial legislation analysis, both historically and in current iterations, to determine their impacts on the planning practice and housing supply. Qualitative is the most effective method as much of the legislation/policy has room for interpretation based on political ideology. It can be accurately analyzed through qualitative research methods, specifically policy discourse. Qualitative methods are known to be more flexible and can effectively navigate the complex intricacies of the housing crisis through theorizing and exploration of emerging information (Köhler et al., 2022). Some constraints of the qualitative approach can be found in the difficulty of synthesizing many sources of thinking into cohesive thoughts and the challenge of accurately understanding ideas within text-based documents (St. Pierre, 2011). The ability to accurately

understand arguments presented in text and synthesize arguments across texts is further emphasized in Sparkes & Smith (2012) and Pratt et al., (2022).

Sources will largely be text-based documents as they will provide the most valuable information for guiding this research. Farthing (2016, p. 136) states that few planning studies/research have used some of the most accessible information available through magazines, newspapers, Acts of Parliament, and other similar forms. Given the recent and evolving developments in planning at multiple government levels, newspapers and other ‘grey’ articles will be highly impactful on this research. For this reason, due to the fast-evolving situation, these materials will be included to keep them as up-to-date as possible. Taking a critical approach to any of this material can strengthen the research; as mentioned by Farthing (2016), “here the interest is as much in what the documents do not say as what they do say, in their selective focussing of attention on certain issues” (p. 137). Moreover, the better use of plain language in widely available news articles will help this research remain accessible to those without a high level of planning knowledge, adding value to the research and impacts on the planning practice.

Source collection will largely comprise secondary data, as academic articles and legislation will be the main sources. Additionally, some primary data collected from legislation, official plans, and regulations will be used. Using other researchers’ reflections, ideas, and discussions will inform this research through these academic journals and inform the final recommendations for municipalities. Supplementary information that is newer and not yet peer-reviewed will be included in magazines and newspapers. These sources will be cautiously approached and will use Farthing’s critical lens to analyze both what is written and what is not included to ensure accuracy in the research.

3.2 Data Analysis

The best analyses for this research are descriptive and discourse analysis. This best reflects the type of sources being used and what analysis could contribute to the overall research. Particularly, discourse analysis will be relevant in relation to policy documents. Farthing (2016) says, “policy documents are thus interpreted as arguments about how we should define urban problems and what we should do to solve these problems. They thus attempt to create realities, rather than to reflect them, and to affect the practices of organizations, such as how community participation is practiced” (p. 170-171). Much of the legislation and policy can rely on Rapley’s (2007) emphasis on how the language is used and how the situation is portrayed. Further

considerations when analyzing policy should ask why the document was made? Who was it made for? How should the solution be implemented? (Farthing, 2016, p. 172).

Interpreting any grey data will have to be balanced to ensure nothing is biased or misleading, especially when discussing political issues within the planning profession. Academic sources will be used to support or explore new information to connect existing ideas and elaborate on new ones. Government documents and news articles will form a foundational piece to inform the direction of the research but will require validation from quality academic resources; unless the goal is to examine the legislation and produce an understanding of intention, as Farthing (2016) referenced.

4.0 Findings

4.1 Municipalities

Municipalities have been responsible for constructing most of their social housing with unpredictable funding from the province. Municipalities' limited autonomy can be a barrier to the innovation of housing solutions as they still must conform to the directives of the province. With the province reducing funding to municipalities, it leaves cities to cut spending, under-invest, or find new revenues to make up the deficit (Ontario Federation of Agriculture, 2018; Association of Municipalities Ontario, 2022). Cities cannot run deficits, meaning they must find other revenue streams to accomplish their goals as the province mandates reduced development fees (CBC Radio, 2020; Slack, 2013). The lack of funding has resulted in development charges being increased, sometimes by double-digit percentage points, shifting the burden onto new homeowners while property taxes remain steady – something that is politically important during municipal elections (Jones, 2022; Needham, 2000). It raises a debate on whether property taxes are adequate to generate enough revenue to cover costs. In an already highly taxed province with an affordability crisis, the possibility of further increasing housing-related fees would be highly contentious and labelled as out-of-touch. This presents the opportunity to re-evaluate and examine municipalities' existing tools to strengthen their positionality as a partner in resolving the housing crisis. Provincial oversight in planning is still crucial for consistency and, as recently witnessed, to force municipalities to take the necessary steps to increase housing. Local governments now must implement practical and creative solutions to satisfy the provincial government to demonstrate that the housing crisis is being taken seriously.

Municipal governments will need to indicate that they are capable of being a serious stakeholder in helping respond to the housing crisis. Municipalities have failed to act boldly to increase their housing supply, so the province has introduced sweeping changes to the *Planning Act*. For example, Bill 109 reduced timelines for planning departments to approve a planning act application. As of July 1, 2023, if planning departments fail to respond in time, they must return a portion of the fee to the applicant. This return of fees increases in percentage depending on the time past due. In response to the changes, and a likely inability to respond to an application on time, municipalities will seek changes to their pre-consultation by-laws to make that process more onerous or reject an application as complete.

These moves by municipalities will avoid the timelines imposed by the province, keep fees, and allow staff ample time for review while missing the point of the legislation – build homes faster. This policy maneuvering avoids potentially consequential impacts imposed through the legislation, but it defeats the purpose of a timely approval process and indicates an inability of municipal planning departments to address the housing crisis. This highlights that even local governments are experiencing a capacity issue in delivering services, specifically within planning. In the current system, municipalities must follow the province's directives to do their part in responding to the housing crisis.

As indicated in the preceding section, increasing autonomy for local governments to have greater control over their internal functions has its own challenges. Namely, concerns are voiced around the knowledge of local government candidates to govern effectively and responsibly with more autonomy. Increasingly, candidates in municipal elections present polarized platforms, focus on a single issue, or are unqualified for the job (Goodman & Lucas, 2016). This concern impacts all levels of government, and having qualified candidates is increasingly important in adopting local by-laws and planning documents. The impacts of unqualified candidates are mitigated at higher levels of government given the extensive support of bureaucrat staff, while most municipalities do not have the same luxury. From a planning perspective, issues can often be contentious and municipal leaders may be pro- or anti-development, which can have longstanding outcomes on their communities, especially if a new Official Plan or Zoning By-law is enacted during their term in office. However, ensuring that municipalities have provincial oversight can limit bad municipal leadership. It has been studied that municipalities with clear

directions from the provinces have stronger Official Plans and highlights the importance of the province setting targets for municipalities to meet (Guyadeen, 2019).

4.2 Existing Tools for Municipalities to Utilize

4.2.1 Land-use Planning

The first tool that municipalities have at their disposal for the long-term planning of their community is the control of land-use planning. This is commonly implemented through the Zoning By-law and Official Plan. The designation of land will control the permitted uses within a city, creating neighbourhoods, shopping areas, or other community uses and is a powerful tool that municipalities have at their disposal. Failing to implement appropriate land use designations will have long-term consequences that are difficult to rectify. The importance of responsible land use planning is visible by permitting additional dwelling units on typical single-family detached lots. The intensification of neighbourhoods is crucial to unlocking more affordable housing unit options, increasing housing supply, and reducing sprawl. Before Bill 23, local municipalities should have been actively amending their zoning by-laws to permit multiple dwelling units, detached or within the existing structure, in all residential zones. Instead, the province permitted three units per lot as of right, which is a necessary step in producing more supply and varying housing types. This change, three units and three storeys as of right was passed in New Zealand and is expected to increase their housing stock from 50,000 to 100,000 units in approximately a decade (Vincent, 2022).

Further recommendations to increase the housing supply would permit more height within residential zones to enable more units in traditionally suburban neighbourhoods. This can permit new additions or new builds to have multiple units. There is the opportunity for municipalities to permit the creation and implementation of mixed-use zones to unlock land for residential units in compatible commercial areas. In addition to creating more residential units, it strengthens businesses by creating full-time residents within these traditional 9-5 operating areas.

Another finding is that property taxation may not align with increased municipal costs and may require additional taxation like land value taxes. The incentive for land value tax is to encourage owners to develop the property to a suitable level for the area. Prime land in a downtown should not be vacant; placing a high land value tax on it will encourage the owner to develop the lot into a use that generates revenue for them (i.e. dense housing). However, this

should be done in conjunction with the value of the structure on the land to promote housing through this split property tax.

4.2.2 Development Charges

Development charges have been a longstanding tool that was enacted in the post-war boom. Development charges are referred to as ‘growth paying for growth’ but have negatively influenced housing affordability. To contextualize the issue, Figure 4 shows the highest municipal and provincial average for building a single detached home, as well as lands zoned agricultural.

	Zoning review requirement rate	Average development charge	Agricultural share	Greenbelt share
Highest large-city value	82% (Toronto)	\$66,380 (Vaughan)	49% (Hamilton)	80% (Caledon)
Province-wide average	34%	\$31,367	33%	38%
Years data reported	2013–16	2012–16	2005–13	2005
Number of municipalities reporting (province-wide)	286	95	298	97

Source: Authors' calculations from Ontario Ministry of Municipal Affairs data. Note: Agricultural and Greenbelt share is only for municipalities subject to the Growth Plan for the Greater Golden Horseshoe. Large-city values are only from municipalities with 50,000 residents or more within the area subject to the Growth Plan for the Greater Golden Horseshoe. Province-wide average is weighted by population of municipality.

Figure 4: “Regulatory and Development Performance of Ontario Municipalities” using 2016 prices (Dachis & Thivierge, 2018).

The data in Figure 4 can be used to explain the potential saving on development charges and construction costs noted in Figure 5.

Region	2016 average single-family dwelling price	Reduction in price if municipalities ...		Total reduction in costs	Price with restrictions reduced	Restrictions as share of SFD price
		Had provincial average development charges	Had provincial average zoning approval rate*			
	<i>Actual price</i>	<i>Reduction in price</i>		<i>Predicted price</i>	<i>(percent)</i>	
Durham Region	554	-27	-3	-29	525	5
York Region	969	-78	-3	-81	888	8
Toronto	943	-47	-27	-74	869	8
Peel Region	714	-52	0	-52	662	7
Halton Region	771	-49	-3	-52	719	7
Hamilton	436	-13	0	-13	423	3
Niagara Region	319	-2	-1	-4	315	1
Waterloo Region	414	-9	0	-9	405	2
Rest of GGH	393	-8	-3	-11	382	3
Rest of Ontario	291	-2	-1	-2	289	1

Source: Authors' calculations from Ontario Ministry of Municipal Affairs, RPS, and Statistics Canada data. Note: Approval rate is not statistically significant at the 10 percent level.

Figure 5: “The Effect on Single-Detached Dwelling Prices from Reducing Development and Zoning Costs and Delays” in 2016 prices (Dachis & Thivierge, 2018).

Development charges are most effective when also used by municipalities as a planning tool rather than solely a revenue stream. Development charges can influence built form through incentives like reduced fees to build apartments over single-family detached homes. This is often not the case with apartments, as they usually do not have any notable advantage within existing development charge structures. Again, the province passed legislation to cut development charges by 20% in 2023 with a phased plan to return to current levels by 2027 and an outright exemption for affordable units (Dentons, 2022b). This will impact the affordability of housing, but mainly harms municipalities and displaces the fees into other areas like increased property taxes. Continually increasing development charges which are passed onto new homebuyers, is not a sustainable practice. Young people, families, and vulnerable populations are asked to bear

the brunt of these fees, while established homeowners contribute comparatively very little to their cities.

Although development charges are primarily an issue between provincial and local governments, one major commitment from the federal government could assist municipalities in delivering better infrastructure. Stable and predictable funding from the federal government for transit would relieve a major expenditure and allow for critical upgrades in areas such as sewage and water (Baumeister & Burgess, 2013; Town of Collingwood, 2021). Delivering more accountability for development charges is needed to prevent future moratoriums on development, as seen in numerous areas in Ontario, indicating that development charges or local management of infrastructure are inadequate (Town of Collingwood, 2021). While it is difficult to recommend a cost-of-living increase at a fiscally difficult time, the burden on cities is growing, and from a moral standpoint, something should be done to provide housing for the growing homeless population. For example, the Region of Waterloo is spending \$80,000 a month on the maintenance of a homeless encampment with no impact on homelessness (Taylor, 2022). This money could be used to address the social/transitional housing shortage rather than maintain a homeless encampment.

4.2.3 Implementation of Urban Planning Best Practices/Innovative Ideas

Other existing tools that municipalities have at their disposal include updating other by-laws and policy documents to streamline and simplify the planning process while encouraging the type of development needed within the community (Starr & Pacini, 2001). These types of policies that are outside of land-use planning can include the elimination of parking minimums where practical to do so. Parking can be an expensive and unnecessary cost that is added to the price of housing units. Depending on the location of the development, parking should be discouraged to promote active living and the use of transit networks. Encouraging modular construction and other construction techniques can support more housing built faster (York Region, 2021).

Implementing control by-laws on short-term rentals is crucial to ensuring viable housing stock is not used for profit, as this is detrimental to cities and defeats the original purpose of platforms like Airbnb (Jamasi, 2017; Valentin, 2021). Airbnb was a platform to rent properties while owners were away to fill extra bedrooms or second units. Now, the platform has been used

to manage investment properties people use to financialize off housing as noted in Figure 6. This reduces the housing supply and only produces minor contributions to the community through tourism (Schäfer & Braun, 2016). This action would coincide with speculation taxes and the federal ban on foreign homebuyers. Airbnb has profoundly impacted Ontario communities, contributing in part to the housing crisis by pricing out residents from their own communities.

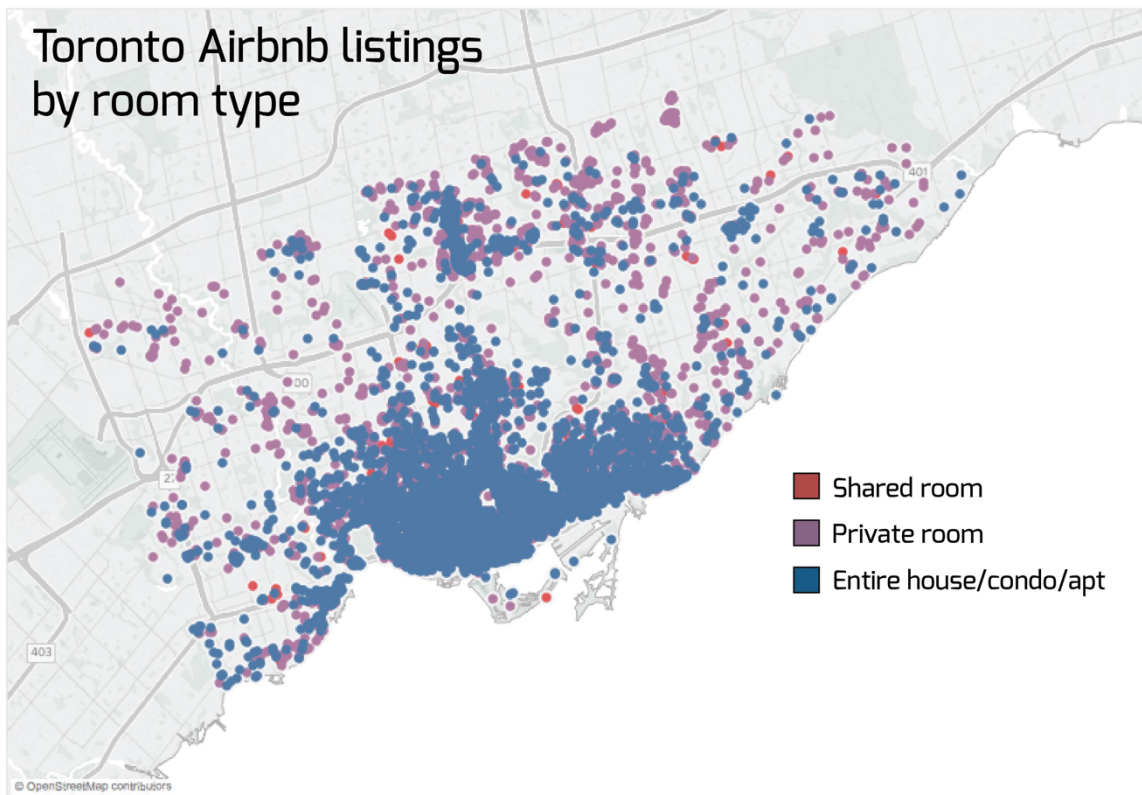


Figure 6: “Airbnb listings in the City of Toronto by room type” (Canadian Centre for Policy Alternatives’ Ontario Office, 2016).

4.3 Finding Conclusions

Urban planning is at the discretion of local governments and enabled by the provincial government. As evidenced, municipalities can bypass the core intentions of the province through policy savviness, but this harms the desired outcomes of the province. In the case of recent legislation like Bills 109 and 23, consultation and compromise could have provided a better route forward to achieve the province’s goals without strong-arming local government. However, in politics, a fast response was needed to ensure the electorate saw something was being done. It can be inferred that the provincial policy-makers had a disdain for the planning process and its associated red tape. The Housing Task Force (2022) even noted that planning documents have

doubled in word count since the 1970s. However, responsible governance would approach the matter collaboratively rather than introducing changes that come across as disruptive and penalize local governments. Moreover, when selective solutions are chosen from the Housing Task Force findings, this only contributes to the notion that policy is based on ideology and not on addressing the housing crisis on all fronts. This has been observed by eliminating regulations that favour developers while harming healthy communities through the elimination of enforceable green standards. The Housing Task Force would have benefited from a more exact composition of academics, planners, or housing advocates.

The province has failed to deliver a comprehensive solution that addresses the short to long-term problems of the housing crisis. The province in 2018 introduced measures to freeze educational development charges (EDCs) to promote more affordable housing. These charges are collected on new units that fund land acquisition for school boards. On average, these add a few thousand dollars to the cost of a new housing unit (City of Toronto, 2019; Simcoe County District School Board, 2019; York Region District School Board, 2019). Meanwhile, the City of Toronto increased their development charges by 46% in one year (Jones, 2022). This unregulated increase fuels housing speculation and makes buying a home unaffordable for the average person. Without addressing the affordability issue, further strain is placed on purpose-built rentals, which have seen minimum construction in recent decades. Thus, the average person must rely on speculators to purchase and subsequently rent out condos as the speculator waits for a good time to sell higher. These purchasers are filling a large gap in the market and must be considered when making policy decisions, as young professionals and similar demographics rely on this type of housing to live. The fees are one of the biggest barriers discovered in this research, and solutions must be found to maintain revenue for municipalities while lessening the burden for prospective home-buyers.

5.0 Recommendations

The literature on housing supply and policy reform produces numerous recommendations that can be presented to improve housing construction. Much of the literature focuses on more housing units, but the emphasis on rental units is not always evident. Even recommendations outlined by the Housing Task Force may result in adverse outcomes with the adoption of pro-developer recommendations, and this will likely produce lower-quality housing options for

Ontarians. However, legislators must determine what is more important in the short and long term, repealing regulations or building more housing.

Particularly, within rental units, as the rental stock shrinks, the demand for units increases which drives up prices and puts fiscally vulnerable people in a tough place to find adequate housing. Without an equal investment in rental units, affordability and homelessness will remain challenging. Incentives for homeowners to create secondary units should be implemented to boost the density and produce more housing units within established neighbourhoods. Allowing homeowners to create a secondary unit without unnecessary burdens is key to promoting more units. The recent changes made by the province to allow for detached units are another crucial policy step for creating more housing units and varying housing stock.

Additionally, the Province of Ontario needs to allow for the strengthening of municipalities to resemble closer the model in the United States, which has been somewhat enabled by the passage of the *Strong Mayors, Building Homes Act*. Further, it may be worth amalgamating additional municipalities, with lessons learned from the 1990s, to maximize staff resources, lower the competition for planning talent, and unify planning documents across regions. This would be most effective in rural areas and could expedite planning approvals. To address the lack of government capacity, PPPs could be explored to outsource the project construction and lower costs. However, PPPs may not always be the best option and can become disastrous if not done correctly (Skjerven, 2023).

5.1 Purpose-built Rentals

The province has been neglectful in promoting the construction of social housing and purpose-built rentals, leaving the gap to be filled by condo purchasers renting out their units while they wait for property values to increase (Matthews-Hunter, 2021). This rental market is vital for numerous stages and demographics of life, including young adulthood, single people, immigrants, and seniors. Allowing the free market to dictate what kind of housing is built comes based on the ability to make a profit and having a low-risk investment. External factors for housing-type construction can be heavily based on the financial markets. This can include but is not limited to, interest rates, tax structures (capital gains), and access to mortgage credit. Policy creation by governments can encourage or restrict access to mortgages, subsequently directing consumers to rent or homeownership.

In today's climate, learning from the 2008 financial crisis, which stemmed from the housing market, there is restrictive access to mortgages from the CMHC Stress Test, and a lack of rental supply and deregulation of rent control in buildings constructed after 2018 have complicated housing options (Walks & Clifford, 2015). The post-2008 crash has pushed many previously would-be homeowners into the rental market, fueled by uncertainty and stricter regulations, further intensifying the lack of available rental units. As previously mentioned, this is where the void has been filled with condo purchasers that speculate on the market and rent out the units in the meantime.

5.2 Policy and Innovation

A significant portion of the work needed to be done comes through policy amendments to enable the construction of more housing units. Municipalities need to update planning documents to support the construction of second units, higher density zoning, and plan for growth in identified strategic growth areas (Jeffords, 2023). When municipalities make it easy to build housing units, like second units, homeowners are more likely to do it. Municipalities should ensure its zoning by-law reflects the severity of the housing crisis and enables the creation of more units in all areas that are compatible.

There is a struggle to fill planning positions and these positions often have high turnover rates. Municipalities need to attract talent and offer more competitive compensation if it wants to accomplish all of the policy goals.

5.3 Taxation

Development charges have been a cornerstone of conversation around housing supply. The province has stepped in to ensure that lower fees are being charged to lower the price of a new home. The emphasis on development charges needs to pivot towards this revenue source as a planning tool to encourage specific built forms. Municipalities should examine existing housing stock and incentivize the types of housing most in demand within their communities to promote that type of construction. If development charges were at a lower rate for medium-density housing, it could prove to be an effective effort to build more of the 'missing middle.' Additionally, exploring control by-laws on short-term rentals and taxation of those with multiple properties could be an option for slowing the housing market and controlling the housing supply.

Further, to address rising homelessness in cities the implementation of sales taxes, congestion pricing, and increased property taxes could generate additional revenue. Much like some clauses under Bill 23, the province could impose spending requirements to ensure these new taxes are used for community infrastructure or housing.

6.0 Reflections & Future Research Opportunities

Given the overarching complexity of housing in the Province of Ontario, many sections of this paper could be extrapolated into more precise areas of further research. Future opportunities to examine these sections would include the process required to acknowledge the municipalities as a level of government not created by the provinces. This could include the examination of public opinion, which would likely be too niche of an issue for the general population to have a strong opinion on the matter, especially in an increasing era of government distrust. From a politics in planning perspective, it would be valuable information to see if partisanship increases voter engagement at the municipal level. A comparative analysis between Montreal, which has introduced political parties locally, and Toronto, which is not allowed to engage in partisanship, would be insightful. Partisanship may create more engagement and awareness surrounding local issues. Moreover, an in-depth analysis of the provincial-municipal relationship through interviews with local government leaders could provide information on enabling more autonomy in local governments. This future research would be useful for local governments, the Ministry of Municipal Affairs, and organizations such as the Canadian Federation of Municipalities and the Association of Ontario Municipalities.

Although the scope of this paper is confined to reviewing existing literature, there would be value in spending time visiting local municipalities. This firsthand observation of daily function would provide insight into the impacts of recent provincial legislation that will have varying effects on municipalities based on staffing and resources. Responding to *Planning Act* applications in a timely manner will be easier for medium to large municipalities with the staff and resources to hire additional staff. For smaller municipalities, the constraints are greater and will be harmful as levies and fees must be returned. Examining the solutions to these types of problems could support municipalities struggling to adapt to the changes, especially the smaller ones across the province. Potential findings may include another form of amalgamation like what was seen in the late 1990s by Mike Harris and his PC Government. From a bureaucratic point-of-

view, there could be cost-savings and resource streamlining for smaller municipalities. Some regional areas that are comprised of multiple lower-tier municipalities could benefit from a centralized Official Plan, Zoning By-law and other by-laws that are demanded in an increasingly volatile world.

7.0 Conclusion

To conclude, there is a clear understanding that municipalities are a crucial part of the solution to resolving the housing crisis. Municipalities have zoned too much low-density single-family homes with no incentive for developers to build medium and high-density projects. These low-density subdivisions take up space, are demanding on municipal infrastructure and the environment, and still fail to alleviate housing supply strain. The province has passed legislation to force municipalities to increase the amount of housing being built, but at the cost of the environment and with consequences to municipalities. This highlights the urgency that municipalities must enact their own plans, seriously address the housing crisis by presenting tangible solutions, and foster an environment conducive to dense housing, often called the ‘missing middle.’ There are barriers to this, including the lack of government capacity to manage these initiatives. From the federal government unable to deliver on their own spending to municipalities that fail to do housekeeping on their key planning documents, government bureaucracies' effectiveness must be strengthened before any big social housing projects can be undertaken. Furthermore, municipalities in light of recent legislation, must be conscious of their fiscal positions and consider where lost revenues will come from. Development charges should be used as a planning tool to promote variety in housing stock, not to subsidize property taxes for political gains. A balance must be struck between municipalities and the province, where the province provides minimum standards on growth, oversight of local regulations, and the enabling authority for cities to enforce these changes. The watchful provincial eye is a failsafe to fight and prevent local politicians from NIMBYism that has contributed to the prevention of dense cities and adequate housing supply.

Each level of government can enable the creation of more affordable housing. The federal government can utilize the CMHC to improve access to mortgage financing and invest in affordable housing. Amending the CMHC’s mandate to resemble a more involved stakeholder as it was nearly 20 years ago. The Province of Ontario can continue to enact legislation to unify

standards that permit as-of-right housing, encourage municipalities to speed-up planning approvals, and permit greater fiscal autonomy through avenues such as the *Community Benefit Charge*. The most changes can be found at the local level, as municipalities can undertake serious amendments to their by-laws to foster a supportive and responsible development environment. The following changes are recommended for municipalities to enact to boost the housing supply:

- 1) Utilize development charges as a planning tool: development charges should incentivize housing types and reflect the strain added to municipal services. For high-density proposals, development charges should be reduced compared to single-family homes. Educational development charges should not be applied as a blanket charge but reflect the unit's number of bedrooms.
- 2) Revise property tax rates: municipalities should be auditing property tax rates to ensure they are at appropriate levels that generate sufficient revenue without placing an undue burden on the ratepayer. Underutilized properties in city centres and vacant lands should be highly taxed to incentive owners to sell or develop the land.
- 3) Update planning documents: zoning by-laws and official plans should be amended to reflect increased density and accessory dwelling units, as mandated by the province. As municipalities update these documents, unnecessary regulations should be repealed to limit barriers to construction. Mixed-use zones should be encouraged in all suitable commercial areas, and exclusionary zoning should be eliminated.
- 4) Hire staff: bureaucratic capacity, similar to construction labour shortages, add delays to planning approvals and other initiatives. For cities to create strategies, implement, and monitor, more staff will be required to ensure goals are being achieved. With a shortage of planners, and a growing lack of professional expertise, greater incentives should be offered for studying urban planning.
- 5) Innovative by-laws: additional by-laws that are complementary to the zoning by-law should be enacted or amended to reflect the urgency of boosting the housing supply. Parking minimums should be eliminated where appropriate, reducing the onus and expensive requirements on developers. Short-term rental by-laws should limit the number within a city, impose a municipal accommodation tax, and ensure housing supply is not

disappearing for short-term rentals. Modular and innovative construction techniques should be encouraged.

While these recommendations are municipal-focused, the other levels of government are not exempt from future action. Collaborative solutions should be reached for increasing skilled labourers to build more housing, incentives for rentals – including government partnership and investment in social housing, and further tax increases on speculation, investment properties, and vacant units. These recommendations take time to experience a measurable change, highlighting the importance that municipalities undertake these recommendations with expedited urgency.

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Appendix 1: Legislation Context

Bill 108: More Homes, More Choice Act, 2019

Bill 108 introduced reduced decision timelines for municipalities that were extended under the previous Liberal Government that introduced the *Building Better Communities and Conserving Watersheds Act, 2017*. The reduced decision timeline is to encourage municipalities to complete application reviews quickly, otherwise an appeal for lack of decision can be brought to the LPAT. Additionally, Bill 108 introduces the Community Benefit Charge (CBC) to fund soft-services, this generates more revenue opportunities for municipalities for amenities not permitted under the development charges. 60% of CBCs collected must be earmarked for projects each year, ensuring municipalities do not hoard these charges but use them for community benefit. Moreover, municipalities can enact a parkland dedication by-law to preserve land or require cash-in-lieu to ensure residents have access to greenspace. Bill 108 changed some of the rights and abilities around parkland but is outside the scope of this report. Bill 108 changed numerous other aspects including but not limited to natural heritage and species at risk. These changes are outside of the scope of this report as well but are noted to provide an accurate scope of the legislation (Dentons, 2019).

Bill 109: More Homes for Everyone Act, 2022

In addition to Bill 108, Bill 109 made slow approvals for municipalities more consequential. Unlike Bill 108, Bill 109 requires that municipalities return fees if a decision is not made within the reduced timeline as outlined in Bill 108. A percentage of the fees must be returned if there is a failure to meet the deadline. Additionally, the province created the Community Infrastructure and Housing Accelerator (CIHA) to build projects faster. This Accelerator will permit municipalities to ask the Minister of Municipal Affairs to rezone land, bypassing the public process. Under this process, the Minister does not need to consider a provincial plan, official plan, or policy statement making this a new and powerful tool for municipalities to leverage. It should be noted that this is a different process than the Ministerial Zoning Order (MZO) under Section 47 of the Planning Act. The CIHA is subject to eligibility and may have conditions imposed on it and implemented in accordance with Section 35 of the Constitution Act which defines Treaty Rights. Other changes include but are not limited to no

appeal rights where the Minister is the approval authority, changes to various other legislation, and changes to processes like site plan control and subdivision control (Dentons, 2022a). Bill 109 created numerous challenges that municipalities will have to overcome and presented a need to bring processes up to the new governance standards. Bill 109 was a monumental shift in planning in the province of Ontario, shaking up the established relationship between municipalities and the province. In the era of the housing crisis, the province is attempting to streamline the planning process, create predictability for developers, and incentivize municipalities to promote development or face the consequences.

Bill 3: *Strong Mayors, Building Homes Act, 2022*

In contrast to Bills 108 and 109, that dealt with the planning process, Bill 3 enacts changes to the political structure of municipalities. This aspect of the planning process is not always discussed, and Bill 3 brings changes to Ottawa and Toronto that make the Mayor a stronger position. Comparably, this Bill makes the Mayor of Ottawa and Toronto into a similar position of Mayors across the United States and not just the Chair of Council. The changes are estimated to be rolled out to just Ottawa and Toronto for the current period and will likely be expanded to most urban centers in the future. This law will allow mayors to veto by-laws, hire numerous senior staff unilaterally, and enact legislation that is aligned with provincial initiatives. While these changes are being criticized by municipalities for being undemocratic, the province is concerned about delays in getting housing built by NIMBY city councillors and other procedural slowdowns. This shift in power is also setting up mayors to better tackle the housing targets assigned by the province, these powers will better equip them to respond to the growth. This is particularly relevant if these powers are expanded to other municipalities (Libman, 2022).

Bill 23: *More Homes Built Faster Act, 2022*

Bill 23 was a monumental change in planning after Doug Ford's election surge in June 2022. Bill 23 is another piece of legislation that is in response to the growing concern around the housing crisis. Some of the changes implemented are to streamline the planning process and prevent NIMBYism from municipal policymakers. Notable changes include changes to the Ontario Land Tribunal (OLT), as a right to three residential units per property, amendments to development, community benefit, and parkland charges, reduced roles of Conservation

Authorities, and the removal of upper tier planning in Official Plan and subdivision planning for lower tiers. These changes come from the province with an ideological standpoint on planning and with a friendly government towards developers. Bill 23 targets housing supply heavily, encouraging development and reducing development charges where affordable housing is implemented. The impacts of these changes on municipalities are not known but will likely harm financial coffers as reduced fees are taken in. This comes at a time when increased expenses are hammering cities with social services, aging infrastructure, and other similar endeavours (Barnett, Barz, & Rintoul, 2022).

Bill 97: *Helping Homebuyers, Protecting Tenants Act, 2023*

Introduced in April 2023, Bill 97 sought to enable increased housing supply to assist the province in meeting its goal to build 1.5 million homes by 2030. In addition to the bill, it was announced a new draft of the Provincial Policy Statement (PPS) would be released for comments. This new draft would replace the 2020 version and the Growth Plan would be merged into the new PPS. Notable changes for this legislation includes: rental replacement regulations, site plan control for under 10 units abutting a shoreline or railway, the enabling of fee refund provisions, amendments to the definition of areas of employment and numerous amendments to the Residential Tenancies Act, 2006 (Aird & Berlis LLP, 2023).

National Housing Act

The National Housing Act, originally passed in 1939, replaced the Dominion Housing Act. It outlines numerous provisions for the federal government and was originally created to increase the supply of homes – although it has remained a central goal. An important agency for managing this Act is the Canada Mortgage and Housing Corporation. In 1964 the Act was amended to make provinces, municipalities, or the respective agency the sole owner of public housing effectively removing the CMHC from any public housing construction while still entering into cost-share agreements with the provinces. It was at this time, 1964, that the Ontario Housing Corporation was created to manage the responsibility of social housing aiding thousands of individuals. In 2000, the Ontario Government downloaded the social housing responsibility to municipalities which drastically reduced the number of units being built. This

was done through the Social Housing Reform Act, 2000. The CMHC is responsible for the administration of most policies under the National Housing Act.

National Housing Strategy Act

In 2019, the federal government passed the National Housing Strategy Act that further recognized the importance of housing for Canadians. Overall, this plan is to create new housing supply and modernize existing housing over the next 10 years. This multi-billion-dollar commitment is proposed to define housing for the future generation, in face of the housing crisis. (Canada Housing and Mortgage Corporation, 2018). Most importantly, the commitments outlined in the new legislation does not apply to provincial or municipal governments and can be repealed by a future parliament (Morrison, 2019).