AUGUST 2023

Working Together to Build 1.5 Million Homes

PLACE Centre
Smart Prosperity Institute

About the PLACE Centre

The PLACE Centre, which stands for Propelling Locally Accelerated Clean Economies, focuses on the complex challenges limiting clean economic growth in Canadian communities. Our core approach is "place-based," meaning the PLACE team works with all levels of government, industry, and civil society organizations to ensure regions across Canada have the solutions needed to overcome the challenges they face in advancing clean economic growth. With this approach, the PLACE team can create practical, place-based recommendations where everyone involved can collaborate and work towards making progress in solving these problems. That way, every region and community across the country can be included in, and benefit from, Canada's growing clean economy.
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About Smart Prosperity Institute

Smart Prosperity Institute is a national research network and policy think tank based at the University of Ottawa. We deliver world-class research and work with public and private partners — all to advance practical policies and market solutions for a stronger, cleaner economy.
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About Ontario's Big City Mayors (OBCM)

Ontario's Big City Mayors (OBCM) is comprised of mayors of Ontario cities with populations of 100,000 or more. Collectively, Ontario's Big City Mayors represent nearly 70% of Ontario's population. OBCM provides a voice for big city mayors in policy debates that impact Ontario cities. Through policy development, advocacy, discussion and partnerships, Ontario's Big City Mayors support strong and effective cities.

Acknowledgements

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WORKING TOGETHER TO BUILD 1.5 MILLION HOMES

The Scope of Ontario's Challenge

Ontario must build at least 1,500,000 new homes over the next ten years to keep up with projected population growth and population aging.

In the previous ten years, it has built less than 700,000.

Ontario has not built 750,000 homes, half of what is needed, in any ten-year period since 1973-82, when new episodes of the television M*A*S*H were being aired. In fact, Ontario has never built more than 850,000 new homes in any ten-year period. Ever.

In short, Ontario must do something it has not done in over forty years, then double it.

While building 1.5 million units is necessary to address the province's housing crisis, it is not sufficient. It must also ensure that the homes are built in a way to create great communities where families can raise children and that there is adequate infrastructure from schools to roads to hospitals. It must ensure an attainable home for everyone, regardless of income level. Those homes must be able to support the requirements of an aging population and those with special needs. And it must build in a way that is resilient to extreme weather events and brings us closer to our climate and environmental goals.

To accomplish these goals, all three orders of government must work together with builders, developers, and the higher education system to co-design a system that addresses six critical needs to build more homes:

1. **Coordination:** No one actor in the system can ensure that housing completions keep pace with population growth. All orders of government, the higher education sector, builders, developers, and the non-profit sector all play a vital role.
2. **Ability**: Building homes requires sufficient labour, materials, equipment, land, infrastructure, and capital. Not having enough plumbers, enough bathtubs, or money to pay for plumbers or bathtubs will prevent the necessary quantities of homes from being built.
3. **Viability**: Or, as developers ask, "will it pencil?" For-profit builders and developers will not build unless it makes economic sense for them to do so.
4. **Productivity:** There are some inputs to homebuilding where we may not be able to double or triple them quickly, such as specific types of skilled labour. Homebuilding in Ontario needs to be more productive and innovative.
5. **Permission:** The regulatory environment needs to allow housing to be built, with minimal delays, while producing them safely, protecting the environment, and creating great communities.
6. **Non-Market Housing:** There are housing needs that the market simply cannot meet. The limitations of the market create the need for governments and not-for-profit actors to build everything from supportive housing units to student residences and do so in sufficient quantities.

Government, industry, and labour must collaborate and create a plan with defined roles, shared accountability, regular meetings, and progress tracking to address coordination challenges in the housing system.

Working Together to Build 1.5 Million Homes

Examples of Each Actor's Role in the System

Both governmental and non-governmental actors have a role to play in ensuring Ontario can build 1.5 million homes in a decade. Collectively, they must coordinate on definitions, data, and forecasts. There are dozens of actions each actor can take, which include, but are not limited to, the following:

Federal Government: The federal government must ensure that immigration and international student policies are aligned with housing policy, and set in collaboration with provincial and municipal governments. They can increase the number of skilled trades people through immigration reform and play a vital role in financing infrastructure needed to support great communities. They provide financing and insurance for projects, including those using novel technologies such as mass-timber. The federal tax system plays a crucial role in the viability of projects, from the GST/HST to accelerated capital cost provisions to import tariffs on materials. CMHC insurance premiums and other federal fees can make or break a project. The National Building Code plays a vital role in the sector's productivity; innovation and procurement policy could as well. The federal government can use their fiscal strength to help support reforms with other orders of government and are instrumental in the building and financing of all forms of non-market housing.

Provincial Governments: The *Report of the Ontario Housing Affordability Task Force* provides a blueprint for the province, with the majority of the 55 recommendations yet to be implemented. Provincial policy is crucial in both training workers and bringing in skilled workers from overseas. Land Transfer Taxes and other fees can increase the cost of housing. It cannot be understated how vital the province is in determining what can and cannot be built, which includes the Planning Act, Growth Plans, Provincial Policy Statement, Ontario Building Code, Ontario Land Tribunal, just to name a few. The province plays a vital role in the non-market housing system, including, but not limited to, the building of on-campus residences.

Municipal Governments: Municipal governments play a pivotal role through a variety of regulations, including zoning, as well as the approvals process. Like federal and provincial governments, municipal governments often have land and other resources that can be used to build great communities. They also must provide servicing and infrastructure to ensure neighbourhoods can develop and grow.

Builders and Developers: Private sector homebuilders and developers can support non-market housing by sharing expertise, best practices, information, insights, tools, resources, with not-for-profit developers. They can create training programs, incentives, and other initiatives to increase the number of persons in underrepresented groups into the trades. They should work with governments to add more affordable, supporting, and rent-geared-to-income housing to projects. They can strive to avoid submitting low-quality applications to ensure as many proposals as possible become "One and Done" or "Two and Through". They must work to increase the productivity of the sector and be willing to try new techniques and technologies, such as modular construction.

Organized Labour and Higher Education: Training the next generation of skilled workers is vital in building enough homes. Labour must be willing to adopt new technologies and techniques, many of which are developed by academic researchers. Higher education must ensure there is enough housing available in their community to support growing enrollments.

WORKING TOGETHER TO BUILD 1.5 MILLION HOMES

Ten Key Points from This Report

1. Ontario must build at least 1,500,000 new homes over the next ten years to keep up with projected population growth and population aging. In the previous ten years, it has built less than 700,000.
2. The need for more housing is due to Ontario's rapidly growing population, caused by policy decisions made by the federal and provincial governments and enrollment decisions made by the higher education sector. This creates the need for those actors to assist in ensuring housing growth keeps up with population growth.
3. This lack of housing has caused an affordability crisis on both the ownership and rental sides. Rents have skyrocketed in recent years, particularly in communities with colleges and universities, due to increased enrollments.
4. As part of the push to build 1.5 million homes to house a growing population, Ontario has given 29 municipalities individual homebuilding targets, from 285,000 in Toronto to 8,000 in Kingston; these targets have been adopted via pledge by all but one municipality.
5. The provincial target of 1.5 million homes and the individual targets for the 29 municipalities pose a challenge for these governments, as they directly build very few homes. Instead, homes are almost entirely built by for-profit and not-for-profit actors in the private sector. The role of municipal governments is to ensure appropriate zoning and services are in place and to issue permits. Governments are attempting to hit a target that they, at best, can indirectly influence, as homes are built by for-profit and not-for-profit developers and builders.
6. Policy tools that governments can use to influence the supply of housing are split over three different orders of government, meaning that no one government "owns" the housing issue.
7. Although we tend to look to government policy for solutions, we also must recognize the private sector's role in the housing system, and there is a need for industry to become more innovative and productive to get high-quality homes built faster.
8. The responsibility to build more housing is spread across governments, the private sector, labour, and higher education sector, just to name a few, creating coordination challenges.
9. This coordination challenge is one of six core challenges that prevent Ontario from building enough housing, which includes coordination, ability, viability, productivity, permission, and a lack of non-market housing.
10. **These coordination challenges create a need for government, industry, and labour to come together and develop a plan outlining roles and responsibilities, along with a shared accountability framework, with regular meetings and updated plans to track the progress of each actor in the housing system. To track progress and hold actors accountable, appropriate, consistent, reliable, and current data must be made available and definitions must be standardized. The performance of actors should be assessed on elements they directly control, which can only be done with better data. This plan should recognize that housing is a human right, housing is a system, and more housing is necessary, but not sufficient.**

Working Together to Build 1.5 Million Homes

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WORKING TOGETHER TO BUILD 1.5 MILLION HOMES

Introduction

Ontario needs more homes to support a growing population. A lot more homes. And it will take collaboration from all orders of government, the private sector, labour, the higher education sector and not-for-profits, just to name a few.

The province's Housing Affordability Task Force report estimated that the province will need to build 1.5 million homes, in the next ten years[1], to house a growing population. This estimate was confirmed as reasonable in the Smart Prosperity Institute report *Ontario's Need for 1.5 Million Homes*. The province adopted this goal, and as part of their reforms have assigned individual housing targets for 29 of the fastest growing municipalities in the province.

As a first step in adopting these municipal-level targets, the province has asked each municipality to develop a **Municipal Housing Pledge**, that would commit each municipality to hitting their target, and outline the "strategies and actions that municipalities choose to adopt in order to prioritize and accelerate housing". These pledges would be used to monitor and track progress.

In their request, the province "recognizes the key role that municipalities will play" in meeting the province's 1.5 million housing target. They are not incorrect; the decisions that municipalities make are vitally important in ensuring an adequate supply of attainable, family-friendly, climate-friendly communities. But municipalities by themselves build very few homes, but they can create the conditions to allow them to be built faster, more sustainably, and more cost-effectively. And they are not the only actor in the system that influences the quantity, type, and quality of homes that are built. Other orders of government, and actors in the private and not-for-profit sectors play a crucial role.

Given the magnitude of the challenge, ensuring that every actor in the system is doing their part and collaborating to address Ontario's housing crisis. Building 1.5 million homes in a decade will be a monumental task, given the following context:

- In the previous ten years, Ontario has built less than 700,000 homes.
- Ontario has not built 750,000 homes, half of what is needed, in any ten-year period since 1973-82, when new episodes of the television M*A*S*H were being aired.
- Ontario has never built more than 850,000 new homes in any ten-year period. Ever.

In short, Ontario needs to do something it has not done in over forty years, then double it.

Call it a moonshot, or call it a Big Hairy Audacious Goal, building 1.5 million homes in ten years will be exceptionally difficult. In particular, there are six core challenges that must be overcome.

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[1] Specifically, the ten-year period starting from January 1, 2022 to December 31, 2031. Despite the targets starting on January 1, 2022, the individual targets were announced to municipalities and the public on October 25, 2022.

The Six Core Challenges in Hitting a 1.5 Million Unit Target

1. **Coordination:** No one actor in the system can ensure that housing completions keep pace with population growth. All orders of government, the higher education sector, builders, developers, and the non-profit sector all play a vital role.
2. **Ability**: Building homes requires sufficient labour, materials, equipment, land, infrastructure, and capital. Not having enough plumbers, enough bathtubs, or money to pay for plumbers or bathtubs will prevent the necessary quantities of homes from being built.
3. **Viability**: Or, as developers ask, "will it pencil?" For-profit builders and developers will not build unless it makes economic sense for them to do so.
4. **Productivity:** There are some inputs to homebuilding where we may not be able to double or triple them quickly, such as specific types of skilled labour. Homebuilding in Ontario needs to be more productive and innovative.
5. **Permission:** The regulatory environment needs to allow housing to be built, with minimal delays, while producing them safely, protecting the environment, and creating great communities.
6. **Non-Market Housing:** There are housing needs that the market simply cannot meet. The limitations of the market create the need for governments and not-for-profit actors to build everything from supportive housing units to student residences and do so in sufficient quantities.

And while building 1.5 million units is necessary to address the province's housing crisis, it is not sufficient. It must also ensure that the homes are built in a way to create great communities where families can raise children, that there is adequate infrastructure from schools to roads to hospitals. It must ensure there is an attainable home for everyone, regardless of their income level. Those homes must be able to support the requirements of an aging population and those with special needs. And it must be built in a way that brings us closer to our climate and environmental goals.

This paper is split into nine sections, as follows:

1. **Ontario's housing challenges can only be solved through greater coordination, which will require both government and industry to reform.** Coordination is at the heart of Ontario's housing policy challenges, so greater coordination must be part of the solution. This includes coordination within the same government, across governments, and between government and industry. In particular, there is a lack of coordination between policies that increase Ontario's population and housing policies.

2. **Ontario's high rate of population growth is a policy choice made by the federal and provincial government, along with the higher education sector.** Ontario's population growth levels have doubled in recent years, due to increased immigration and increased enrollment of international students, policy decisions made by the federal government and the higher education sector. Having some of the brightest, most ambitious people from around the world come to Ontario benefits the province socially and economically. It also requires the need for more housing.

3. **Canada's immigration targets are rising, and Ontario continues to be attractive to newcomers, creating a need for more housing.** Ontario's population growth rate is likely to rise even further due to increased immigration targets set by the federal government.

4. **An international student boom is creating a demand for affordable rental properties.** Ontario's number of non-permanent residents has tripled in recent years, adding over 400,000 persons to the province, primarily renters.

5. **A record number of Ontarians are moving to other provinces due to Ontario's high housing prices and the ability to work from home.** Ontario's housing pressures are being eased somewhat due to a record number of persons leaving Ontario for other provinces, over 50,000 in the last twelve months. While this does reduce the demand for housing, it is also a loss of talent for the province. In a cruel irony, many of the persons Ontario is losing due to a lack of housing are the very skilled tradespeople we need to build more housing.

6. **The need for 1.5 million homes is real.** Even taking into account Ontarians moving to other provinces, the province really does need 1.5 million (or more) new homes over the next ten years to keep up with population growth and demographic change, assuming that there are no policy changes that would dramatically increase or decrease the rate of population growth.

7. **Ontario has never come close to building 1.5 million homes in any ten-year period.** We underestimate the magnitude of our challenge at our peril.

8. **We must collectively address the six crore challenges to hit a 1.5 million housing unit target.** These challenges include coordination, ability, viability, productivity, permission, and accelerating non-market housing. If anyone one of these is neglected, or if we lack the political will to address them, we will not be able to hit our target.

9. **Every actor in the system plays a critical role in achieving a 1.5 million housing target.** We will need all orders of government, the higher education sector, builders and developers, labour, and the non-profit sector working together. The roles and responsibilities of each differ, but they all play critical roles.

While providing precise policy prescriptions is beyond the scope of this paper, we do provide general guidance, or recommendations, to several actors in the system to help move Ontario closer to achieving a 1.5 million home target and doing so in a way that improves environmental outcomes and the quality of life for Ontarians.

Only through collaboration, and each stakeholder playing their role, can Ontario ensure enough family-friendly, climate-friendly housing such that every family has a safe and attainable place to call home.

To solve a problem, we must first understand it. Our analysis starts with the coordination issue.

Ontario's housing challenges can only be solved through greater coordination, which will require both government and industry to reform

Ontario's housing system can be thought of as a chain that is only as strong as its weakest link. For example, municipal reforms to allow for more purpose-built rental apartments to be constructed will fail if federal taxes make them financially unviable to build. Similarly, federal incentives to build more apartments will fail if provincial and federal regulations prevent their construction.

This need for reform is not limited to government. Municipal initiatives to accelerate the approvals process to get more homes built faster will fail if developers submit low-quality applications. Fixing the approvals process requires both municipal governments and private-sector developers to enhance their performance to ensure as many proposals as possible become "One and Done" or "Two and Through".

Through collaboration and coordination, Ontario can get more housing built, including non-market housing. A recent Scotiabank study[2] has called for Canada to double the stock of social housing, which would require building another 655,000 non-market housing units.[3] Private sector homebuilders and developers can support non-market housing by sharing expertise, best practices, information, insights, tools, resources, with not-for-profit developers. By creating more formal linkages between non-profit and for-profit developers, best practices can be shared, which can increase the speed and lower the costs of building non-market housing.

There is a need for both more coordination and more coherence across governments and industry when it comes to housing policy. There is a need for actors in the system to come together, share best practices, and identify policy tools and other potential initiatives to address the six core bottlenecks identified by this paper. In particular, there is a need for this to happen at the local level, as the housing challenges faced by Windsor, Ontario may be different than those faced by Windsor, Nova Scotia.

A lack of coordination is one of the root causes, if not the root cause, of Ontario's current housing crisis. Ontario's population surged due to a series of decisions made by the federal government, provincial government, and higher education sector. However, those two orders of government did not institute the reforms needed to build more housing, nor did they give municipalities and the private sector adequate tools to ensure that housing supply could keep up with population growth fueled housing demand. While municipalities by themselves build very few homes, they can create the conditions to allow them to be built faster, more sustainably, and more cost-effectively, but only if they are given the tools to do so.

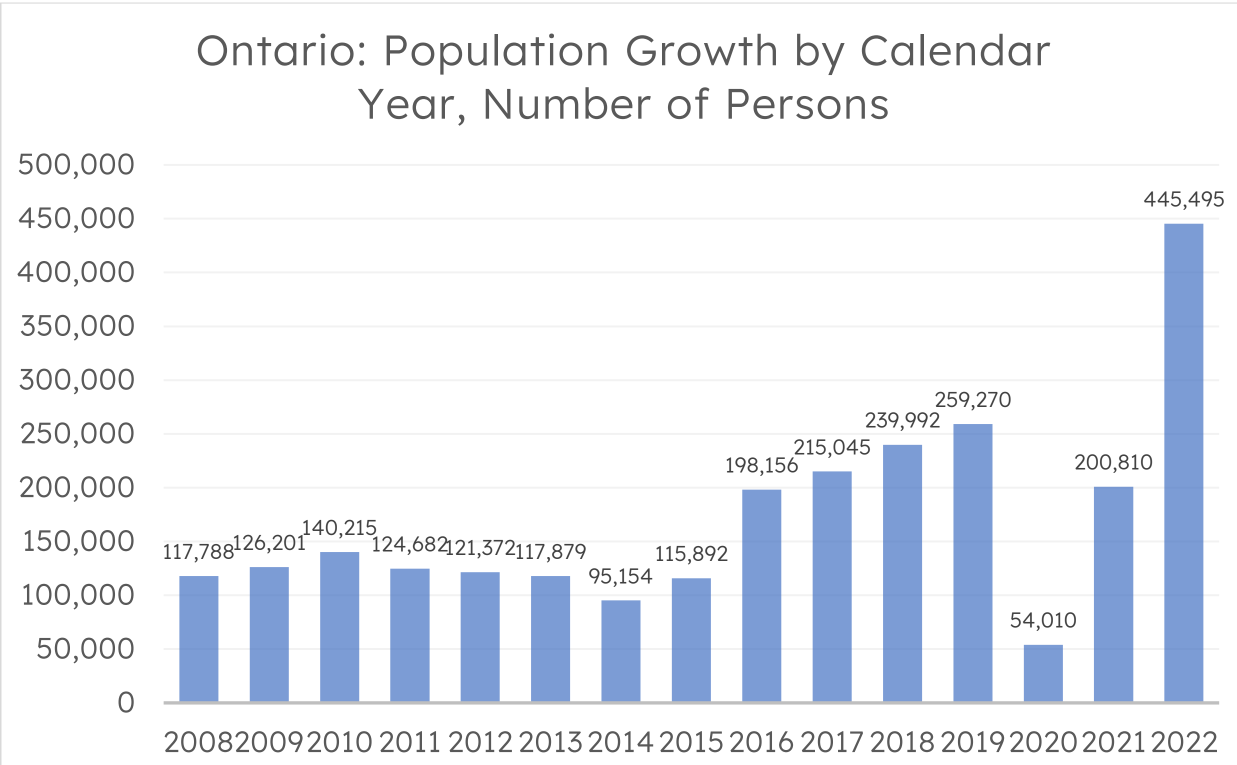
In short, there was a lack of coordination between the actors accelerating housing demand, and the actors tasked with increasing housing supply.

[2] Young, Rebekah. "Canadian Housing Affordability Hurts" Scotiabank, January 18, 2023. Link.
[3] Refer to the "Non-Market Housing" section of this report for a taxonomy of non-market housing types.

Ontario's high rate of population growth is a policy choice made by the federal and provincial governments, along with the higher education sector

Ontario's population is booming, adding nearly 450,000 residents in 2022, as shown by Figure 1. This is nearly five time the level of a decade ago, and is creating increased demand for housing in Ontario.

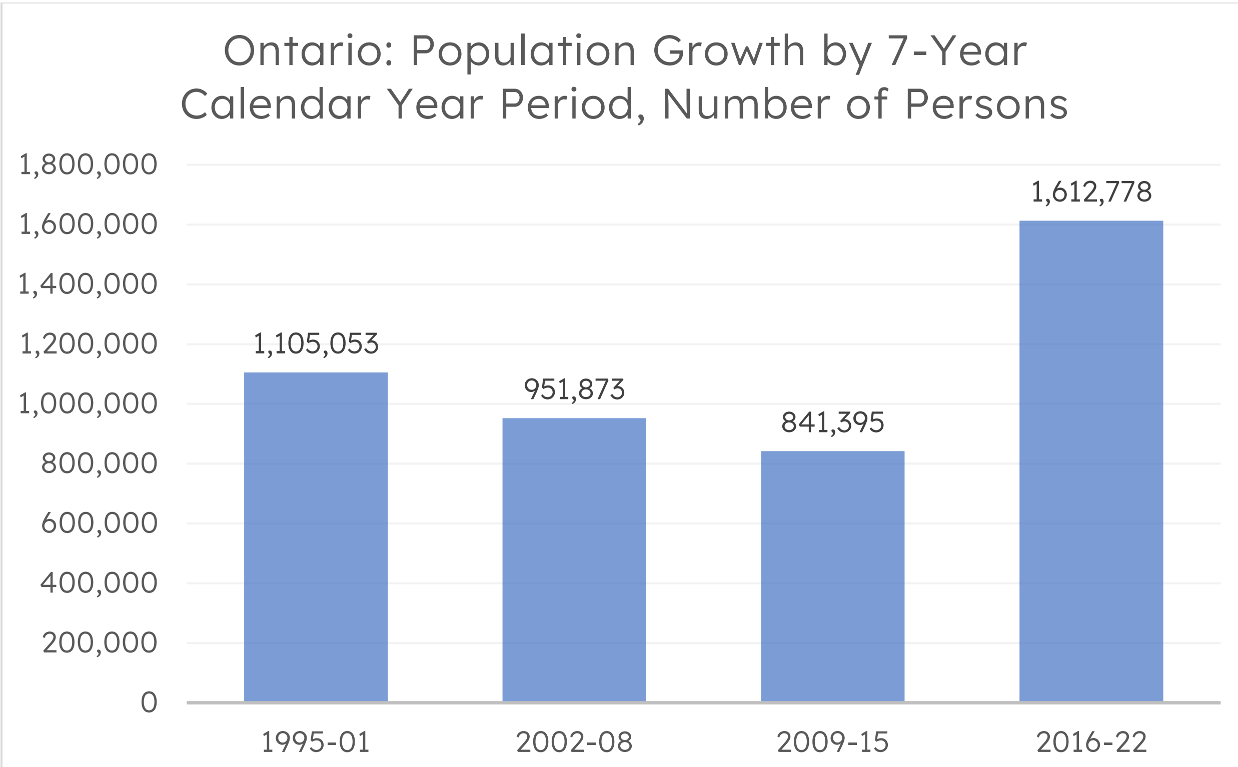
Figure 1: Net Population Growth in Ontario by Calendar Year, Number of Persons[4]



Some of Ontario's population growth is a "rebound" effect from the pandemic, but even when taking that into account, population growth has been elevated in recent years. Figure 2 shows that Ontario's population grew by over 1.6 million persons from 2016 to 2022, nearly double the figure from 2009 to 2015. Note that these population growth levels are also nearly double those of the 1995-01 and 2002-08 periods as well.

[4] Data source: Statistics Canada. "Population Estimates, Quarterly." Table: 17-10-0009-01. Link.

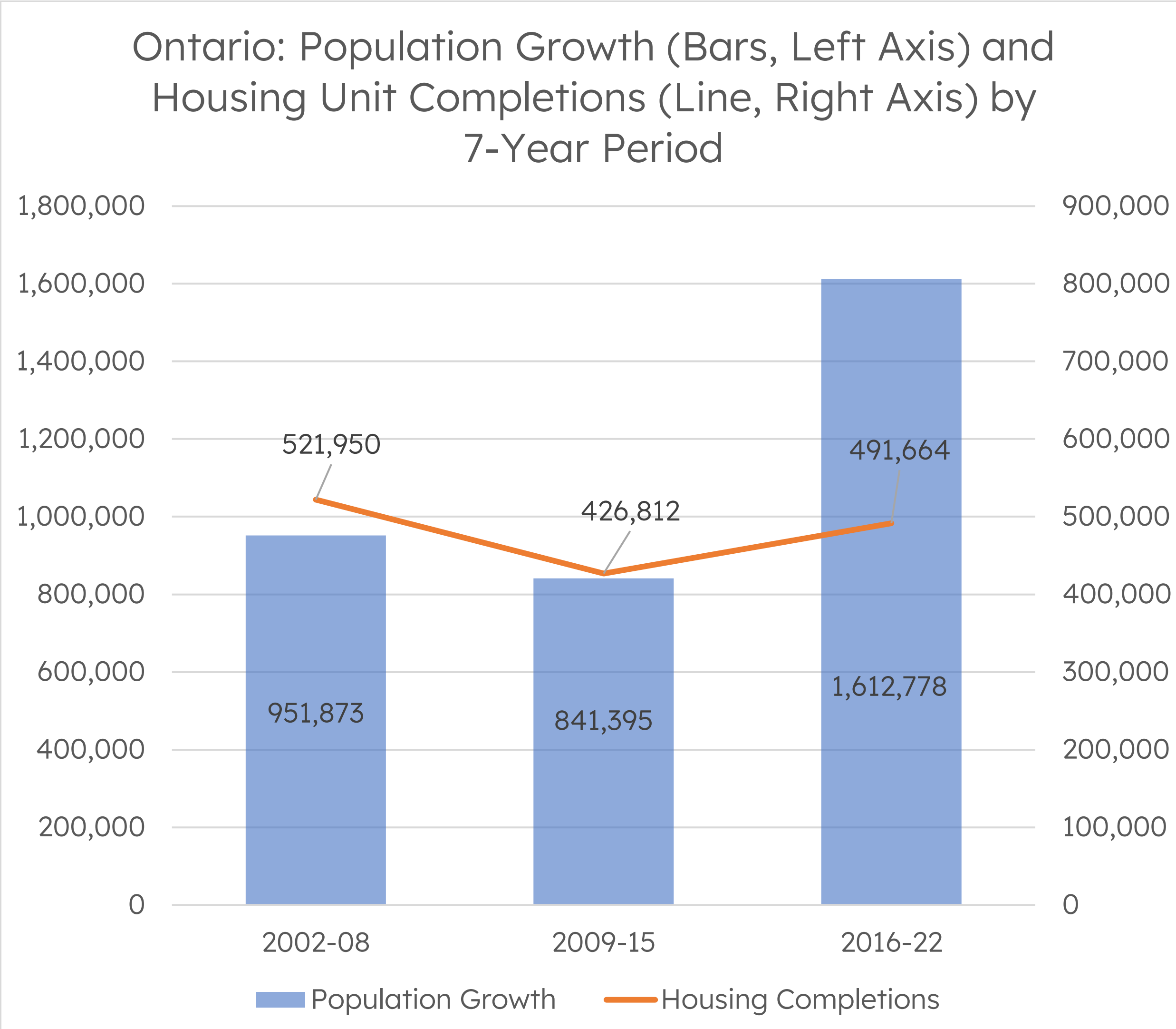
Figure 2: Net Population Growth in Ontario by 7-Year Calendar Year Period, Number of Persons[5]



This demand could have been met with an offsetting increase in supply. However, there was almost no change to the rate at which Ontario built homes. Figure 3 compares the increase in Ontario's population to the number of housing unit completions by 7-year period. Although population growth levels increased by 92% between 2009-15 and 2016-22 (841,365 vs. 1,612,778 respectively), housing completions rose by a mere 15%. In 2009-15, there was 51 housing unit completions for every 100 person increase in population. In 2016-22, this ratio fell to a mere 30 housing unit completions for every 100 person increase in population. Ontario would have needed to build 818,138 homes in 2016-22 to maintain the 51 per 100 ratio. Instead, only 491,664 were built, a difference of 326,474 units.

[5] Data source: Statistics Canada. "Population Estimates, Quarterly." Table: 17-10-0009-01. Link.

Figure 3: Population Growth and Housing Unit Completions in Ontario, by Seven-Year Period[6]



Not surprisingly, right around the time Ontario's population growth decoupled from its housing completions, did Ontario's housing prices decouple from the rest of Canada's. Figure 4 shows the single-family benchmark home price for Canada and Ontario. In the summer of 2016, single-family home prices were only 4% higher in Ontario than the Canada-wide aggregate. By February 2020, right before the Bank of Canada reduced interest rates in response to the pandemic, Ontario's single-family home prices were 17% above Canadian levels. As of January 2023, that gap has increased to 19%, a difference of over $150,000.

[6] Data sources: Statistics Canada. "Population Estimates, Quarterly." Table: 17-10-0009-01. Link and Canada Mortgage and Housing Corporation. "Housing Starts, Under Construction, and Completions, All Areas, Quarterly." Statistics Canada, Table: 34-10-0135-01. Link.

Figure 4: Single-Family Benchmark Home Prices, Canada vs. Ontario[7]

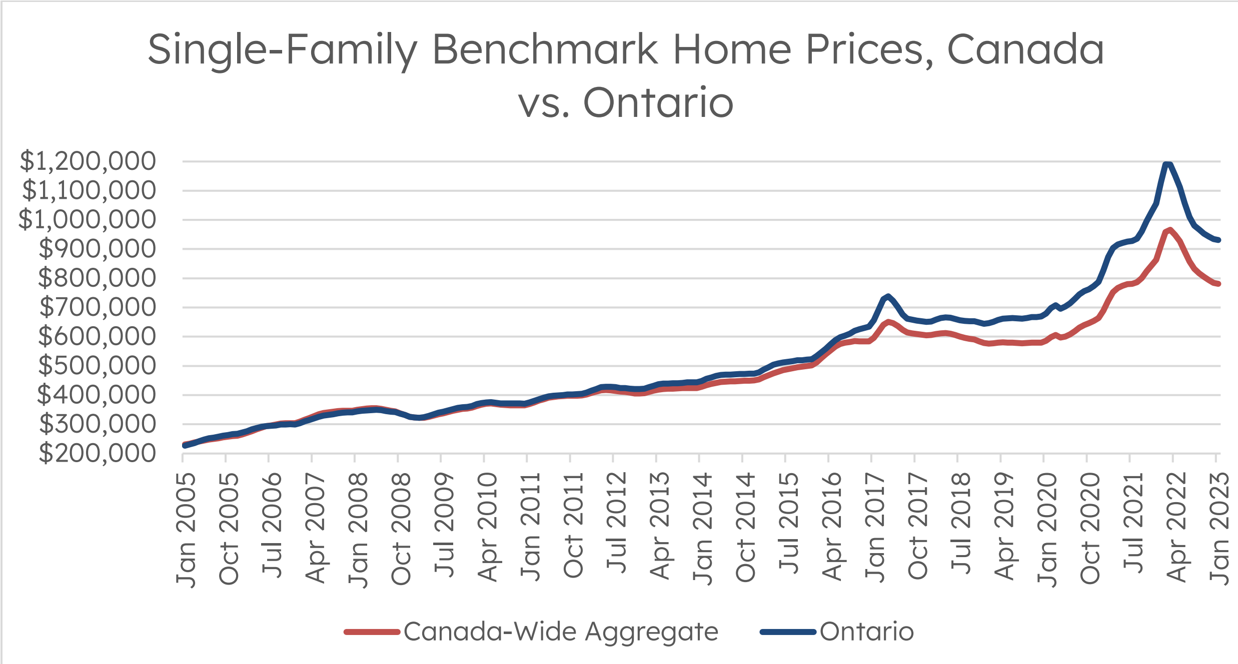
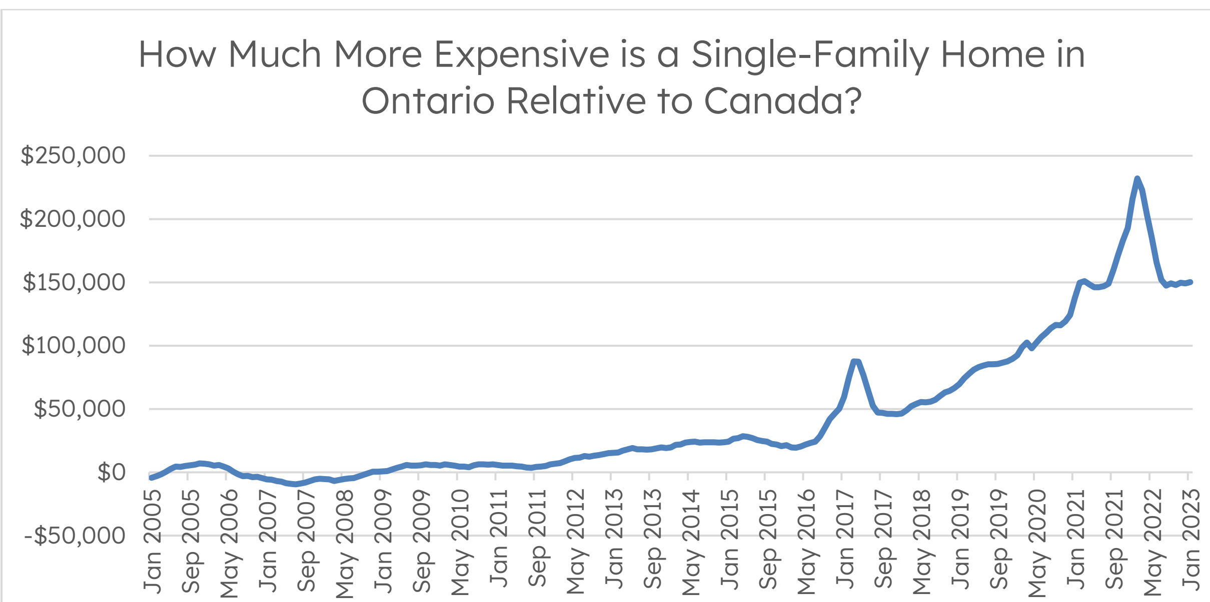


Figure 5 examines the differences between single-family home prices between Ontario and Canada. Note how Ontario's prices pull away from the rest of Canada, well before the pandemic.

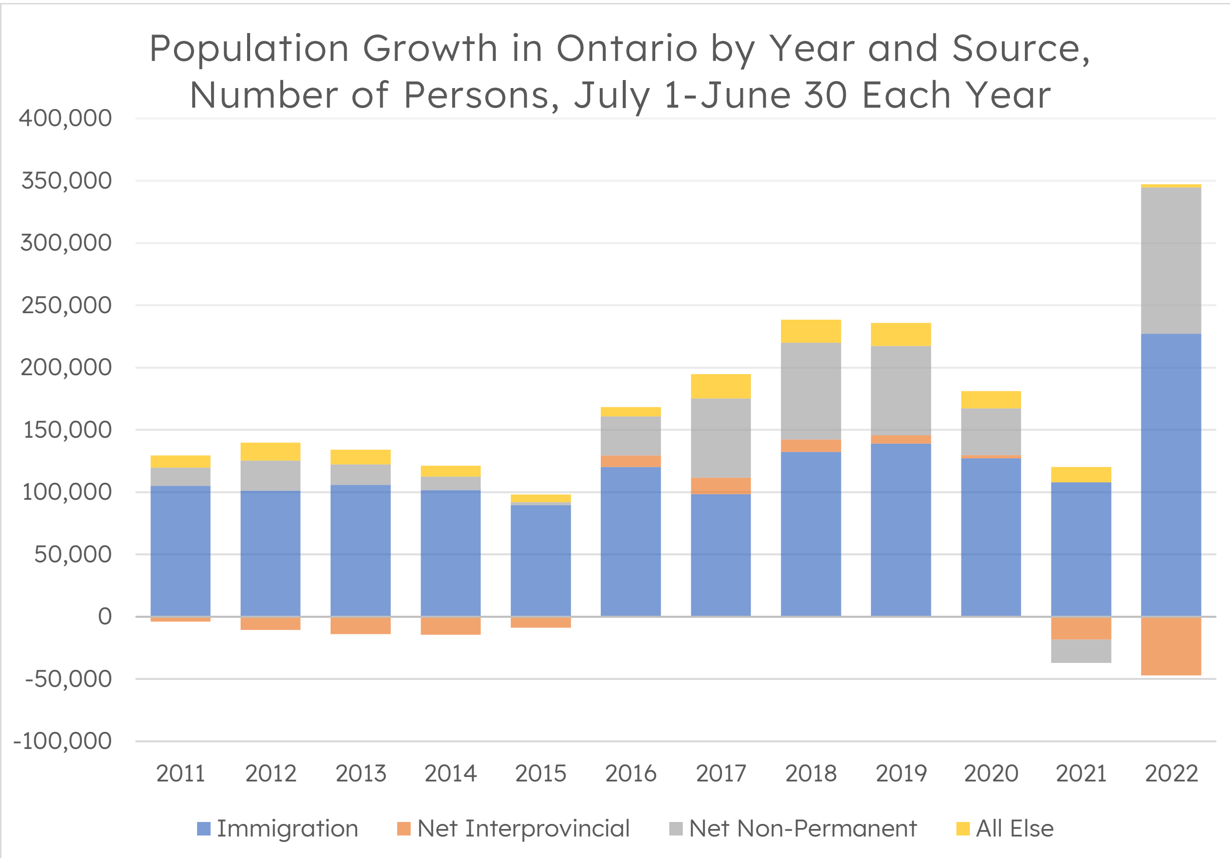
Figure 5: Difference in Single-Family Home Prices, Canada vs. Ontario[8]



[7] Data Source: Canadian Real Estate Association. "Single-Family Benchmark Price, Not Seasonally Adjusted." Link.
[8] Data Source: Canadian Real Estate Association. "Single-Family Benchmark Price, Not Seasonally Adjusted." Link.

Naturally, this raises the question: Why did Ontario's population growth escalate in 2015-16? The answer is an increase in the number of non-permanent residents calling Ontario home along with increased immigration, as shown by Figure 6.[9]

Figure 6: Net Population Growth in Ontario by Year and Source, Number of Persons, July 1-June 30 Each Year[10]



Starting in 2015, Ontario's population has seen an increase in the number of immigrants and non-permanent residents moving to the province. Over the pandemic, this has been somewhat offset by an increase in Ontarians moving to other provinces, noted as "net interprovincial" above. Figure 7 shows the components of population growth for Ontario from July 1, 2021 to June 30, 2022.

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[9] The policy drivers behind this increase are examined in the Smart Prosperity Institute reports *One Million New Ontarians* PDF Link and *Forecast for Failure.* PDF Link.

[10] The year on the graph refers to the population growth that occurred between July 1 of the previous year and June 30 of that year, e.g. '2020' refers to the population increase that occurred from July 1, 2019 to June 30, 2020. Source: Statistics Canada Table 17-10-0140-01.

Figure 7: Net Population Growth in Ontario by Year and Source, Number of Persons, July 1-June 30 Each Year[11]

Component of Growth	ADD		Component of Loss	SUBTRACT
Immigration	227,235		Deaths	121,347
Births	141,699		Loss from net interprovincial migration	47,212
Net non-permanent residents	117,403		Emigration	22,370
Returning emigrants	20,032		Net temporary emigration	15,281
TOTAL	**506,369**		**TOTAL**	**206,210**

Each of these eight sources of population growth are affected by public policy. There are three, however, worth focusing on: immigration and the increase in non-permanent residents, which increases the need for housing, and interprovincial migration, which is people moving from one province to another, which is reducing the need for housing in Ontario, but also causing Ontario to lose talent to other provinces.

Canada's immigration targets are rising, and Ontario continues to be attractive to newcomers, creating a need for more housing

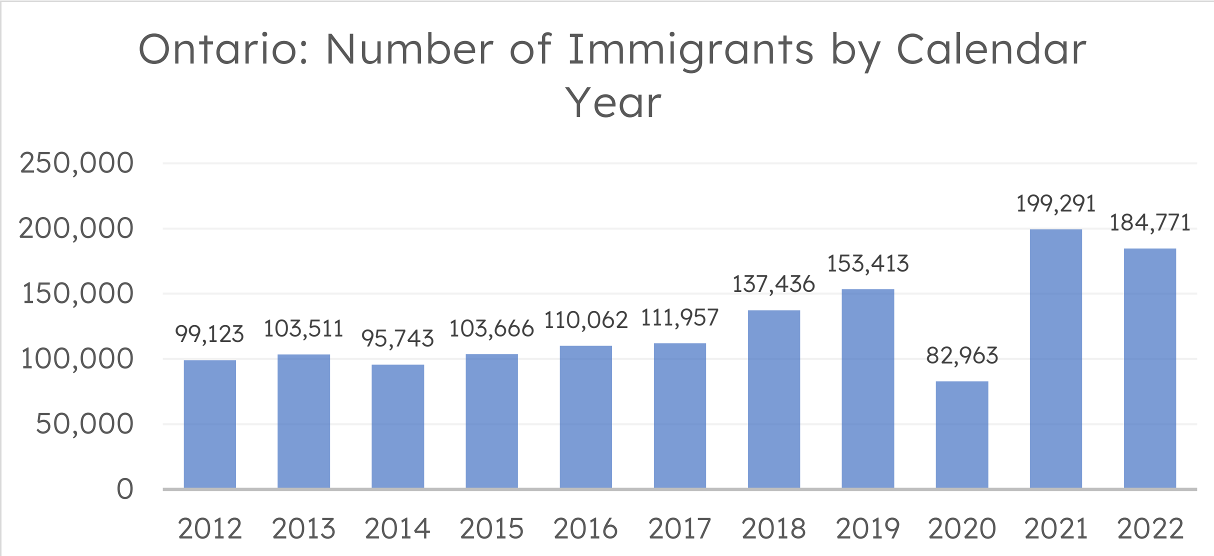
Increased immigration and non-permanent residents brings a wealth of economic and social benefits to the province. The purpose of this section is not to analyze the optimal level of immigration or growth in non-permanent residents, but rather to understand why Ontario's population is growing, and understand the impact this has on the demand for housing.

Figure 8 shows that the number of immigrants to Ontario was rising before the pandemic, increasing from roughly 100,000 in the middle of the decade, to over 150,000 in 2019.[12] Although immigration was down substantially during the pandemic year of 2020, it reached almost 200,000 in 2021 and will likely exceed 200,000 in calendar year 2022.

[11] The year on the chart refers to the population growth that occurred between July 1 of the previous year and June 30 of that year, e.g. '2020' refers to the population increase that occurred from July 1, 2019 to June 30, 2020. Source: Statistics Canada Table 17-10-0140-01.

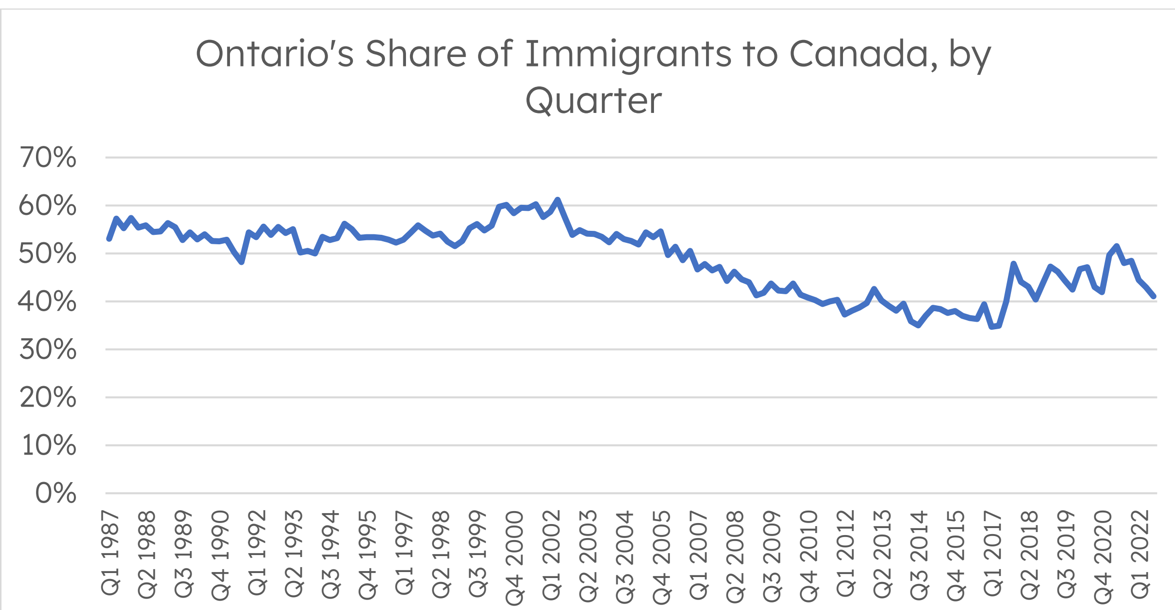
[12] Unlike most of the charts in this document, the data in the immigration chart is calculated by calendar year, rather than from July 1 to June 30. This allows us to compare this data to federal immigration targets, which are by calendar year. Unfortunately, some of the data sets used in this paper is only available for July 1 to June 30 yearly periods.

Figure 8: Number of Immigrants to Ontario by Calendar Year[13]



Immigration to Ontario rose after 2017, partly because of overall increased immigration to Ontario, and partly because of an increase in Ontario's share of immigration. Figure 9 shows that Ontario's share of immigration was in a steady decline from 2000 to 2017, falling from 60% in the 2nd quarter of 2000 to 35% in the 2nd quarter of 2017. Since the end of 2018, it has averaged over 46%, occasionally exceeding 50%.

Figure 9: Ontario's Share of Immigration by Quarter[14]

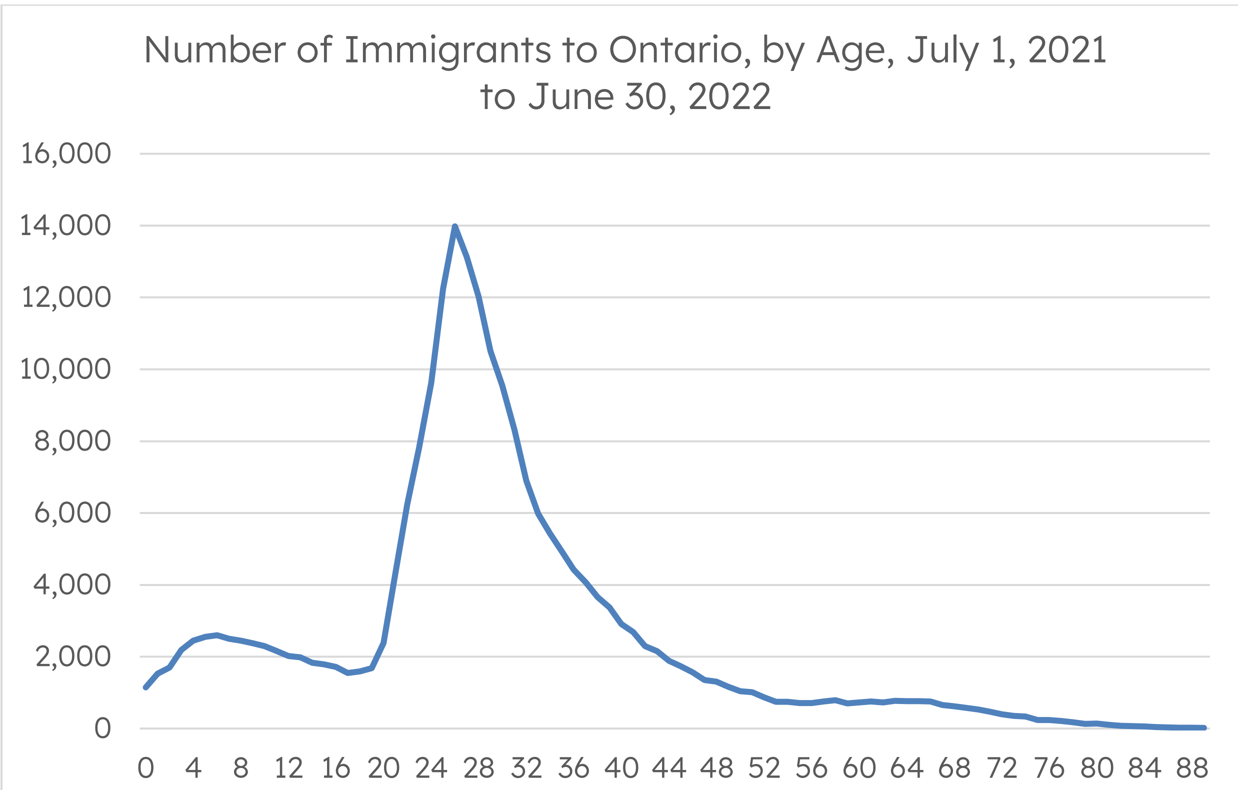


[13] Data Source: Statistics Canada. "Estimates of the components of international migration, quarterly" Table: 17-10-0040-01. Link.

[14] Data Source: Statistics Canada. "Estimates of the components of international migration, quarterly" Table: 17-10-0040-01. Link.

Enhanced immigration to Ontario increases the demand for housing, not just because of the number of new immigrants, but their ages. Figure 10 shows that the most common age to immigrate to Ontario is 26, with the majority of immigrants to the province being between the ages of 22 and 33. The persons in this group are at, or are soon to be, at the age of a first-time homebuyer. It is important to note that not everyone in this group is a new arrival to Ontario. Many have lived in Ontario for some time under a non-permanent classification, including students and post-secondary graduates staying in the province under the Post-Graduation Work Permit program.

Figure 10: Number of Immigrants to Ontario by Age, July 1, 2021, to June 30, 2022[15]



On November 1, 2022, the federal government announced immigration targets for the years 2023, 2024 and 2025. In 2019, immigration to Canada was 341,192 persons per year. By 2025, Canada will be welcoming 500,000 persons to permanent residency, as shown by Figure 11.

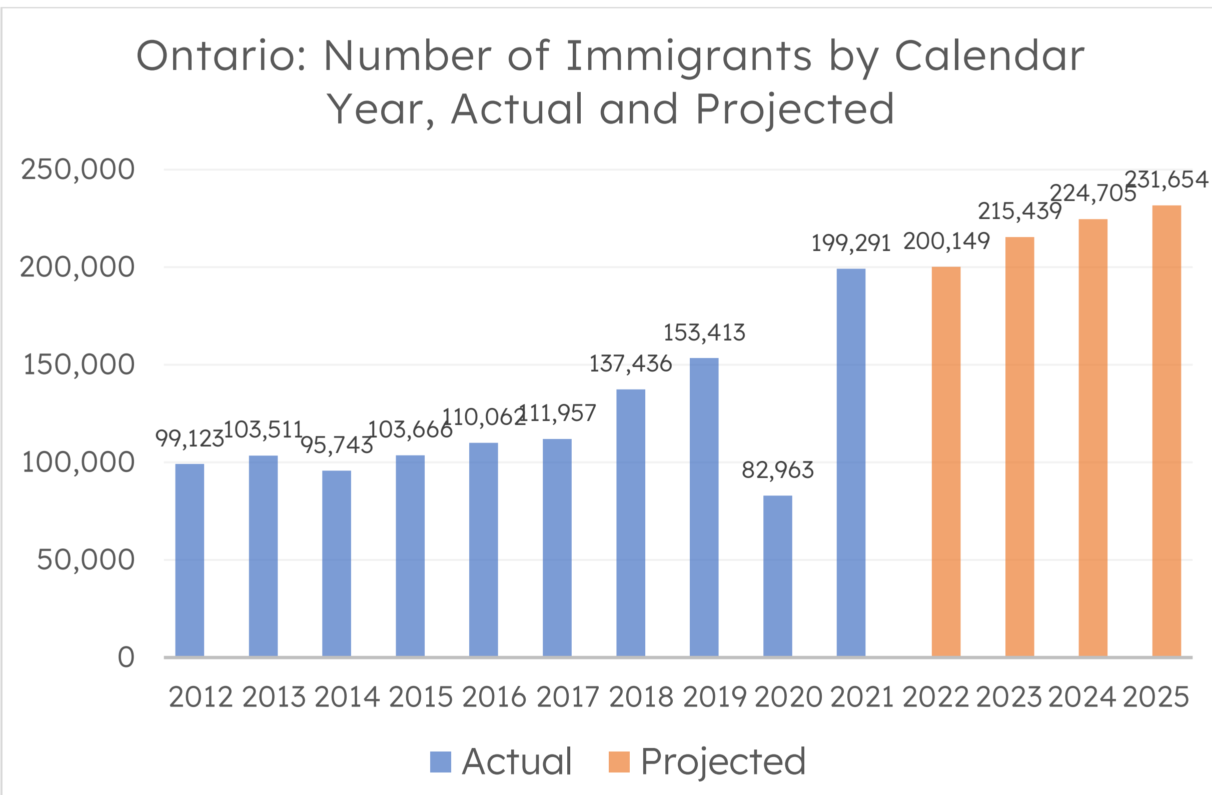
[15] The year on the graph refers to the population growth that occurred between July 1 of the previous year and June 30 of that year, e.g. '2020' refers to the population increase that occurred from July 1, 2019 to June 30, 2020. Data Source: Statistics Canada. "Estimates of the components of international migration, quarterly" Table: 17-10-0040-01. Link.

Figure 11: Number of Immigrants to Canada by Calendar Year, Actual and Target[16]

Calendar Year	Number of Immigrants to Canada
2018	321,049
2019	341,192
2020	184,586
2021	406,026
2022	431,645
2023(t)	465,000
2024(t)	485,000
2025(t)	500,000

Using these targets, we can create a projection of Ontario's share of immigration. If we assume that Ontario's share of immigration will be 46.33%, which is the recent average, then the number of immigrants to Ontario will rise to over 230,000 by calendar year 2025, as shown by Figure 12.

Figure 12: Number of Immigrants to Ontario by Calendar Year, Actual and Projected[17]



[16] Data Source: Statistics Canada. "Components of Population Change by Census Division, 2016 Boundaries." Table: 17-10-0140-01. Link. Immigration target from: Government of Canada. "Notice – Supplementary Information for the 2023-2025 Immigration Levels Plan". Link.

[17] The year on the graph refers to the population growth that occurred between July 1 of the previous year and June 30 of that year, e.g. '2020' refers to the population increase that occurred from July 1, 2019 to June 30, 2020. Source: Statistics Canada Table 17-10-0140-01, plus author's calculation.

As noted earlier, immigration is not the only source of population growth from international sources. Non-permanent residency has increased in recent years, which also creates the need for additional housing.

An international student boom is creating a demand for affordable rental properties

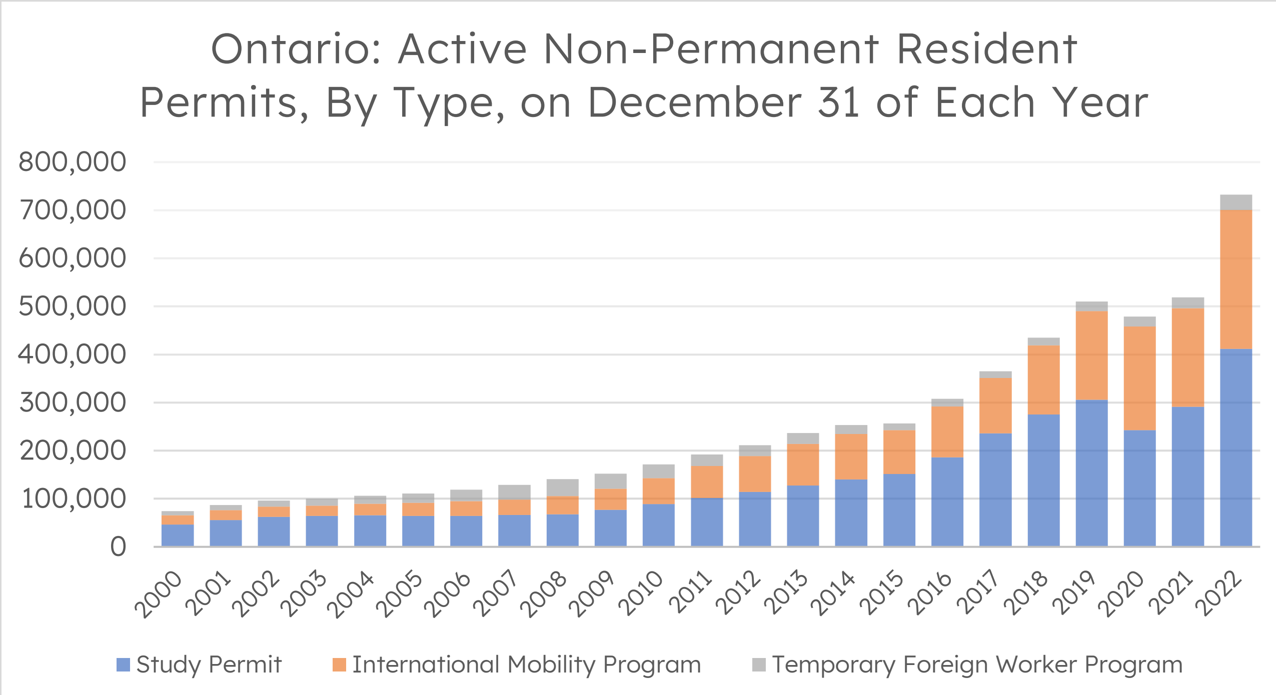
As with immigration, an increase in the number of non-permanent residents brings social and economic benefits to the province. The purpose of this section is not to analyze the optimal number of persons living in Ontario in a non-permanent basis. Instead it is to show that the population of non-permanent residents is increasing due to policy choices made by governments and the higher education sector, and this population growth creates additional demand for housing.

Non-permanent residents are persons who have been legally given the right to live in Ontario for a period of time. These include:

- International students living in Canada on a study permit.
- Workers and their families here under the International Mobility Program.
- Temporary Foreign Workers

The number of active permits of these three types has tripled from December 2015 to December 2022, from just over 250,000 permits to 730,000, as shown by Figure 13. It should be noted that there is not a one-to-one relationship between the number of permits issued and population growth, as there can be multiple permits issued for the same person and some permit holders may have gone home. However, Statistics Canada estimates that the number of non-permanent residents in Ontario went up by over 380,000 persons from July 2015 to July 2022, so the overcounting due to multiple permit holders and returnees is relatively modest.

Figure 13: Active Non-Permanent Resident Permits, by Type, in Ontario by Year[18]



We can break this permit data down further into subtypes. Figure 14 shows the number of active non-permanent residency permits, by type, on December 31, 2014 and December 31, 2022. It shows that the vast majority of the increase in non-permanent residency can be tied back to Ontario's higher education sector. This increase includes an additional 246,465 post-secondary student permits, 129,390 post-secondary graduates working in Canada under the Post-Graduation Work Permit program, and 15,865 post-doctoral students and spouses of students. These groups account for 391,720, or 82% of the 478,610 increase in permits between December 31, 2014 and December 31, 2022.

[18] Data Sources: Open Government Canada. "Temporary Residents: Study Permit Holders – Monthly IRCC Updates." Link and Open Government Canada. "Temporary Residents: Temporary Foreign Worker Program (TFWP) and International Mobility Program (IMP) Work Permit Holders – Monthly IRCC Updates." Link.

Figure 14: Active Ontario Non-Resident Permits, by Permit Type, on December 31, 2014, and December 31, 2022[19]

Student Permit	**2014**	**2022**	**Change**
Post Secondary	102,870	349,335	246,465
Secondary or less	21,525	36,705	15,180
Other	15,500	25,940	10,440
Total Student Permit	**139,890**	**411,985**	**272,095**
International Mobility Program	**2014**	**2022**	**Change**
Post-grad employment	35,680	165,070	129,390
Other IMP	54,635	102,925	48,290
Post-docs and spouses of students	4,800	20,665	15,865
Total IMP	**95,115**	**288,660**	**193,545**
Temporary Foreign Workers	**2014**	**2022**	**Change**
Agricultural Workers	3,140	12,630	9,490
Other TFW	7,520	16,495	8,975
Live-In Caregivers	7,860	2,365	-5,495
Total TFW	**18,520**	**31,490**	**12,970**
	2014	**2022**	**Change**
TOTAL Student Permits, IMP, TFW	**253,525**	**732,135**	**478,610**

International enrollments have increased in the university, college, and career college sectors. The province of Ontario has released enrollment data up to the 2021-22 school year. Figure 15 shows that the number of international students enrolled in Ontario universities has nearly doubled from 2014-15 to 2021-22, with the University of Toronto, York University, University of Ottawa, McMaster University and the University of Waterloo each adding over 3,000 international students during this period.

[19] Data Sources: Open Government Canada. "Temporary Residents: Study Permit Holders – Monthly IRCC Updates." Link and Open Government Canada. "Temporary Residents: Temporary Foreign Worker Program (TFWP) and International Mobility Program (IMP) Work Permit Holders – Monthly IRCC Updates." Link.

Figure 15: International Enrollment by Ontario University, 2014-15 and 2021-22 School Years[20]

	2014-2015	2021-2022	Change	Growth in %
Toronto	13,623	25,761	12,138	89%
Ottawa	4,130	8,915	4,785	116%
York	4,916	9,318	4,402	90%
McMaster	2,422	6,367	3,945	163%
Waterloo	5,502	8,925	3,423	62%
Metropolitan	906	3,584	2,678	296%
Western	3,721	5,996	2,275	61%
Queen's	2,071	3,985	1,914	92%
Windsor	2,273	4,077	1,804	79%
Algoma	331	1,664	1,333	403%
Lakehead	369	1,245	876	237%
OCADU	359	1,227	868	242%
Guelph	1,032	1,808	776	75%
Trent	583	1,321	738	127%
Carleton	2,833	3,505	672	24%
Wilfrid Laurier	758	1,258	500	66%
Brock	1,567	2,051	484	31%
Ontario Tech	684	1,049	365	53%
Hearst		160	160	inf
Nipissing	23	75	52	226%
UOF		16	16	inf
Laurentian	501	485	-16	-3%
TOTAL	**48,604**	**92,792**	**44,188**	**91%**

International enrollments have increased even faster at the college sector. Figure 16 shows that the number of international students enrolled at the college level more than tripled between 2014-15 and 2020-21, reaching over 90,000 by the 2020-21 academic year. Ten institutions saw their enrollments of international students increase by over 3,000 persons. Conestoga College, Lambton College, and Seneca College saw international enrollment increases of over 5,000 students. Canadore College's increase in international enrollments was 4,985, but their total international enrollment of 5,113 in 2020-21 was an almost 4000% increase over the 128 international students enrolled in the institution in 2014-15.

[20] Data Source: Ontario Data Catalogue. "University enrolment" Link. Data includes both undergraduate and graduate enrollment.

Figure 16: International Enrollment by Ontario College, 2014-15 and 2020-21 School Years[21]

	2014-2015	2021-2022	Change	Growth in %
Conestoga College	763	12,808	12,045	1579%
Seneca College	3,895	12,818	8,923	229%
Lambton College	2,784	8,892	6,108	219%
St. Clair College	547	6,621	6,074	1110%
Canadore College	336	6,182	5,846	1740%
Centennial College	4,843	10,686	5,843	121%
Fanshawe College	1,478	5,443	3,965	268%
St. Lawrence College	679	4,444	3,765	554%
Loyalist College	79	3,769	3,690	4671%
Northern College	0	3,378	3,378	inf
Georgian College	819	3,625	2,806	343%
Humber College	3,161	5,875	2,714	86%
Niagara College	1,372	3,760	2,388	174%
George Brown College	2,770	5,066	2,296	83%
Sault College	51	2,086	2,035	3990%
Durham College	467	1,935	1,468	314%
Algonquin College	1,181	2,563	1,382	117%
Cambrian College	2,742	4,110	1,368	50%
La Cité Collégiale	189	1,413	1,224	648%
Mohawk College	1,087	2,269	1,182	109%
Sheridan College	3,703	4,826	1,123	30%
Sir Sandford Fleming College	398	1,109	711	179%
Confederation College	276	612	336	122%
Collège Boréal	24	175	151	629%
TOTAL	**33,644**	**114,465**	**80,821**	**240%**

Many colleges opened secondary campuses across Ontario (and sometimes outside of Ontario) during this period. Figure 17 contains a list of every campus of an Ontario college that experienced an enrollment increase of 1,000 or more students (both domestic and international) between 2014-15 and 2020-21. Note that many of the campuses had zero enrollment in 2014-15. Furthermore, many campuses are in the Greater Toronto Area, while the "home" institutions are located in communities in other parts of the province.

[21] Data Source: Ontario Data Catalogue. "College enrolment" Link. The international category here includes the reporting categories of "Student permit/ Student visa: a permit obtained by a student to enter Canada for the sole purpose of attending an educational postsecondary institution", "Other", and "Unknown", except for Seneca College where "Unknown" appears to be counting domestic students. The college enrollment dataset is, unfortunately, of poor quality.

Figure 17: Campuses of Ontario Colleges With Enrollment Increases (both Domestic and International) of 800 Students or More Between 2014-15 and 2021-22[22]

College	Campus	Location	2014-2015	2021-2022	Change
Cambrian College	Hanson - Brampton	Brampton		1,429	1,429
Canadore College	Stanford - Brampton	Brampton		1,153	1,153
Conestoga College	Brantford	Brantford	74	1,061	987
Seneca College	King Campus	King City	3,220	5,712	2,492
Conestoga College	Doon	Kitchener	8,141	13,008	4,867
Conestoga College	Kitchener Downtown	Kitchener		2,039	2,039
Fanshawe College	London	London	13,771	16,318	2,547
Canadore College	Stanford - Mississauga	Mississauga		2,314	2,314
Lambton College	Lambton in Mississauga	Mississauga		2,872	2,872
Sheridan College	Hazel McCallion	Mississauga	2,301	4,223	1,922
St. Clair College	Mississauga Campus	Mississauga		1,693	1,693
Canadore College	Stanford - Scarborough	Toronto		1,397	1,397
George Brown College	Waterfront Campus	Toronto	2,953	3,819	866
Lambton College	Lambton in Toronto	Toronto		3,961	3,961
Loyalist College	Toronto Campus	Toronto		2,909	2,909
Northern College	Pures	Toronto		3,099	3,099
Sault College	Toronto	Toronto		945	945
Seneca College	Newnham Campus	Toronto	10,727	15,350	4,623
St. Clair College	Acumen	Toronto	221	1,253	1,032
St. Lawrence College	Alpha International Academy	Toronto		2,504	2,504
Conestoga College	Waterloo	Waterloo	628	3,365	2,737
St. Clair College	Zekelman School of Business	Windsor		1,559	1,559
		TOTAL	**42,036**	**91,983**	**49,947**

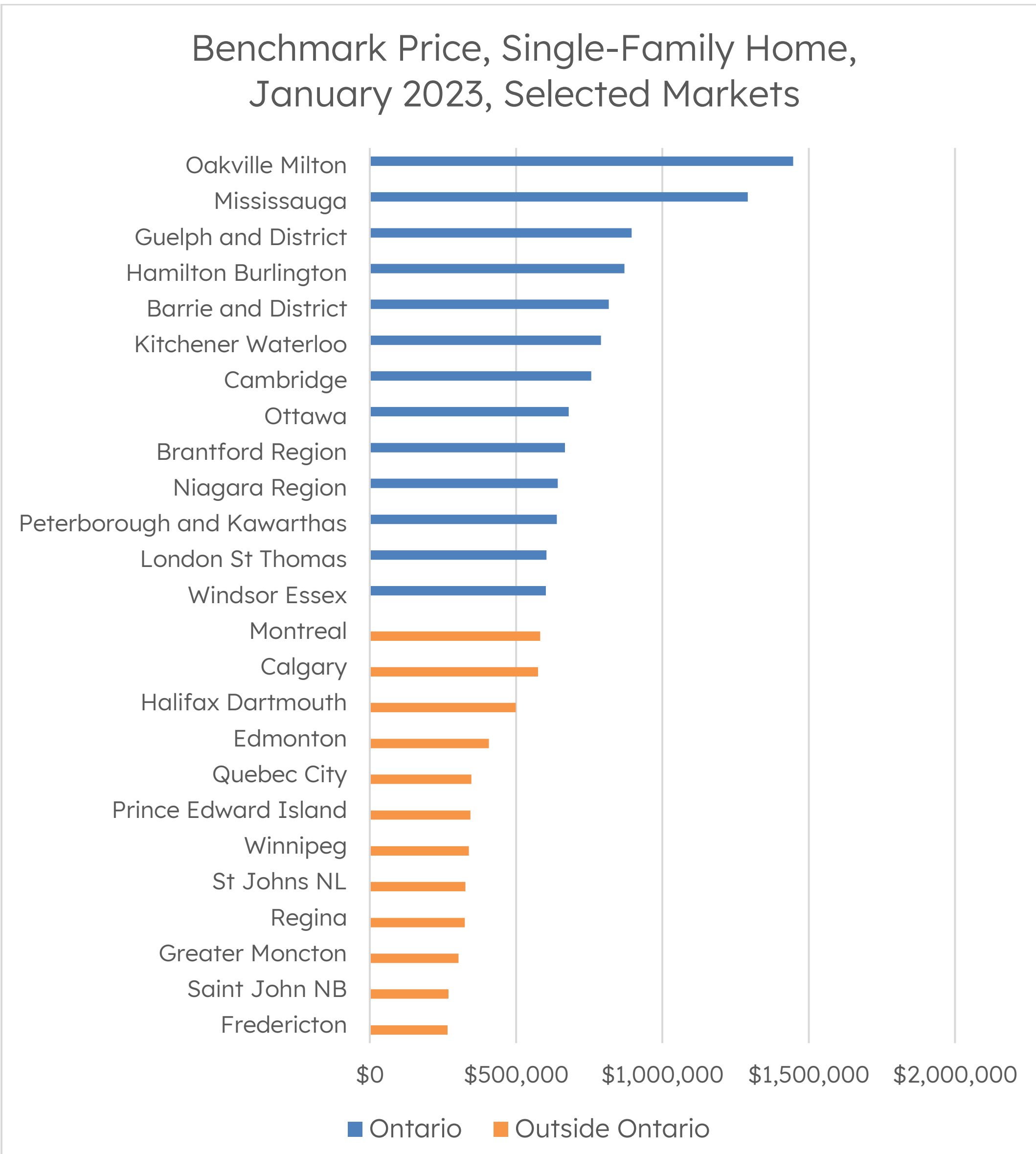
Increases in international student enrollments, both at the college and university levels, create increased demand for housing, mainly since there has not been an offsetting increase in student residence spaces in almost every case. This increased enrollment accelerates the demand for real estate in markets with high numbers of international students. Somewhat counterintuitively, an increasing number of international students increases the demand for single-family housing, as single-family homes near colleges and universities are often converted into student rentals. This trend is unlikely to diminish soon, though projecting future increases in the number of international students is challenging. Unlike immigration, there is no yearly target set by the federal government; instead, enrollment decisions are left to individual institutions. As such, the size of Ontario's non-permanent resident population is at least partly determined by decisions made by the higher education sector.

[22] Data Source: Ontario Data Catalogue. "College enrolment" Link. Excluding Online campuses and campuses located outside of Ontario.

A record number of Ontarians are moving to other provinces due to Ontario's high housing prices and the ability to work from home

Given the province's rapid population growth, it is not surprising that housing costs in Ontario are higher than in all other provinces, with the possible exception of British Columbia. Despite home prices falling substantially in 2022 due to higher interest rates, the price of a single-family home in cities and towns in southern Ontario are higher than in many other large markets, such as Montreal, Calgary, Edmonton, Winnipeg and Quebec City, as shown in Figure 18.

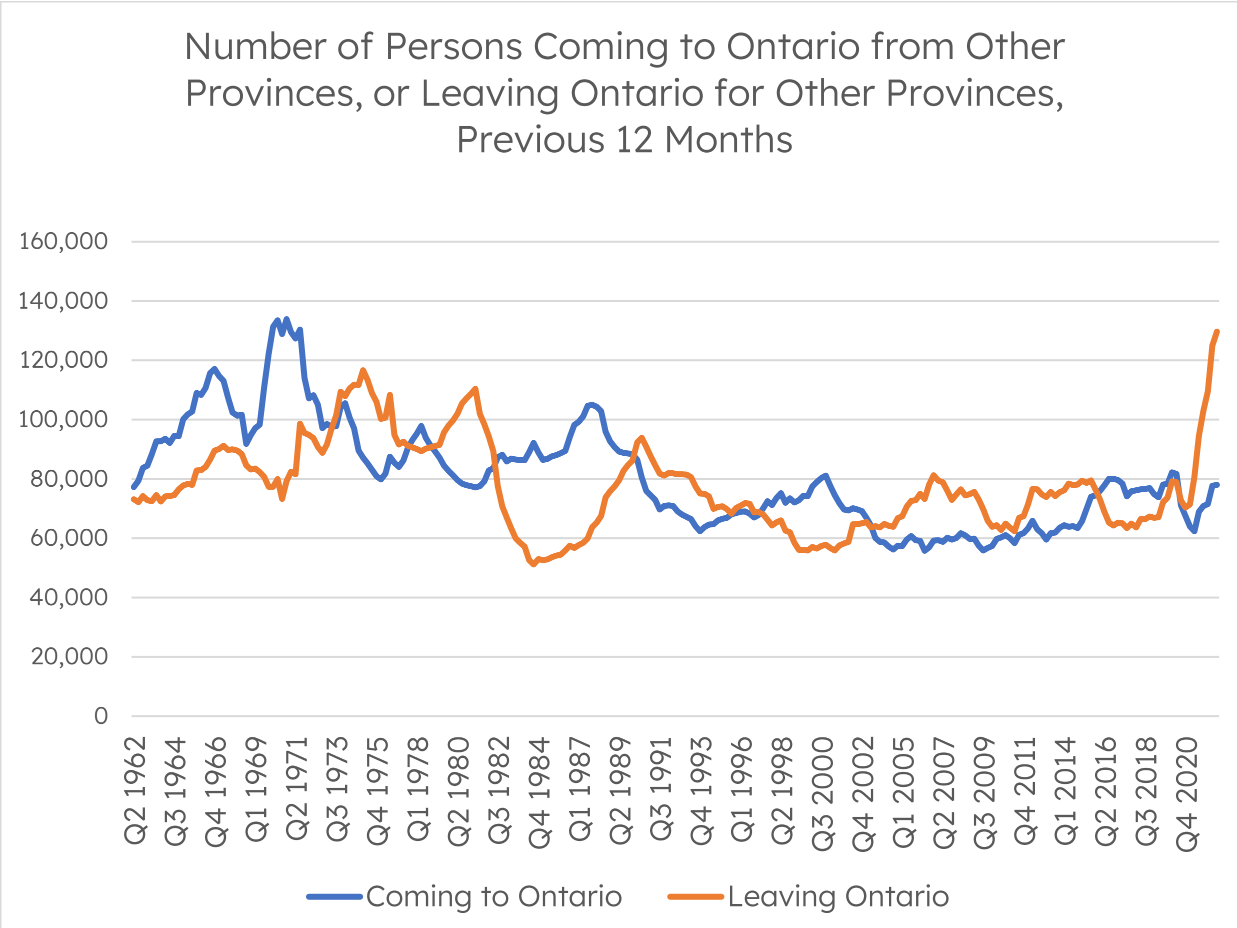
Figure 18: Benchmark Price of a Single-Family Home, January 2023, Selected Markets[23]



[23] Data Source: Canadian Real Estate Association. "Single-Family Benchmark Price, Not Seasonally Adjusted." Link.

Not surprisingly, these higher home prices and increased ability to work from home have Ontarians moving to other provinces in record numbers. In the past 12 months (ending the 3rd quarter of 2022), nearly 130,000 Ontarians moved to other provinces, while 80,000 moved to Ontario. As shown by Figure 19, this is a record-high level of outmigration, which began during the summer of 2022.

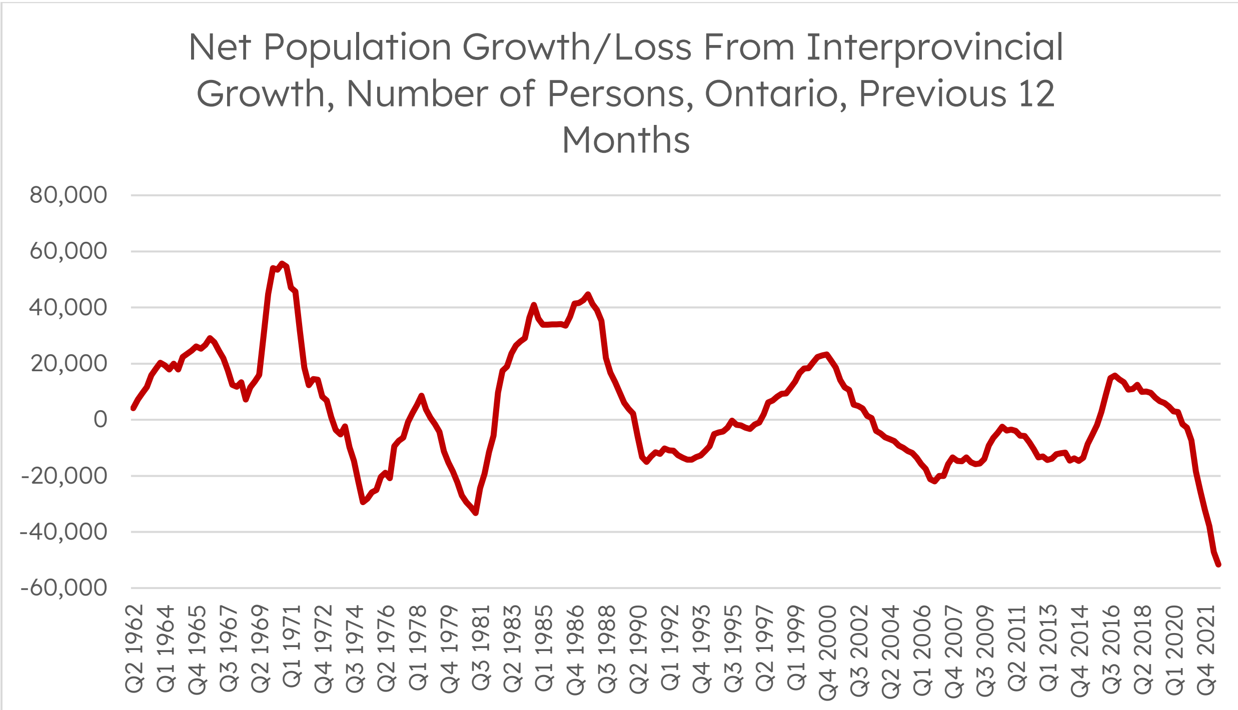
Figure 19: Number of Persons Coming to Other Provinces, or Leaving Ontario for Other Provinces, Previous 12 Months[24]



It is not just the gross outflow that is at record levels but also the difference between the population outflow and inflow. Figure 20 shows that, on net, Ontario has lost over 50,000 persons to other provinces, the highest level in the data set, which stretches back to 1961.

[24] Data Source: Statistics Canada. " Estimates of interprovincial migrants by province or territory of origin and destination, quarterly" Table: 17-10-0045-01. Link.

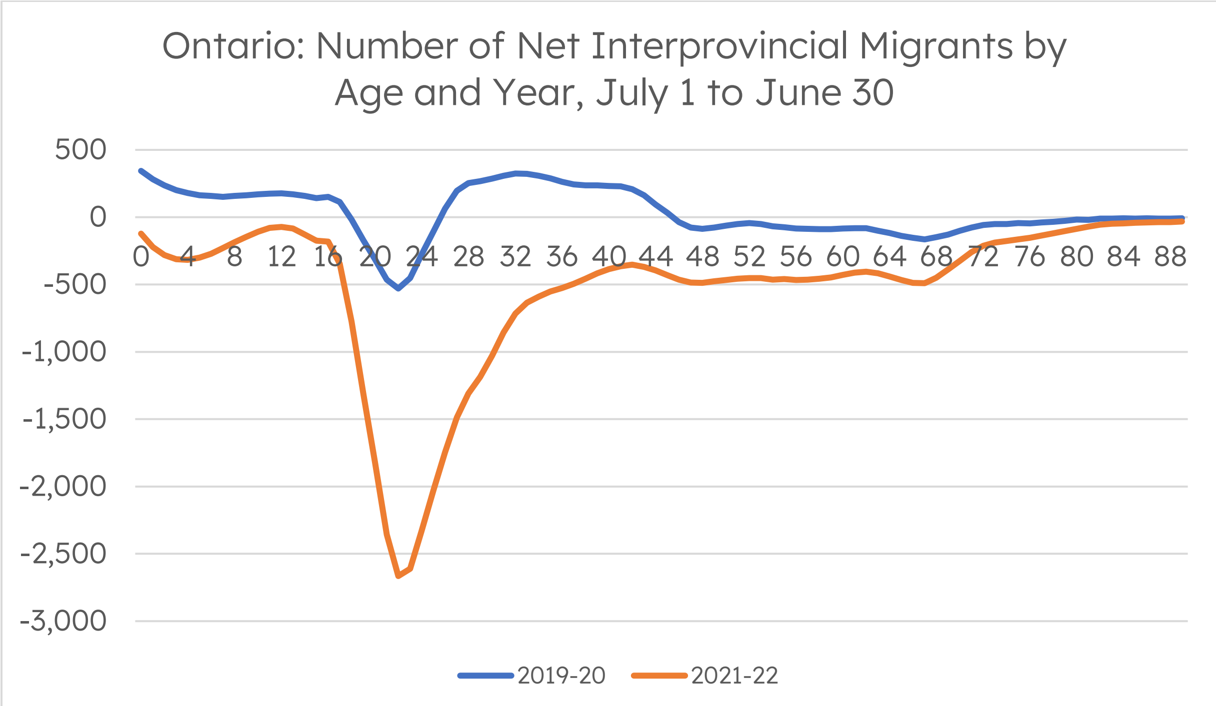
Figure 20: Net Population Growth/Loss from Interprovincial Growth, Number of Persons, Ontario, Previous 12 Months[25]



Further work must be done to learn who is leaving Ontario and why. We do have many clues, however. Statistics Canada Table 17-10-0045-01 has the number of persons leaving, on net, by age. In Figure 21, we see that most net leavers in 2021-22 are between the ages of 20 and 35. This phenomenon is in contrast to 2019-20, when Ontario gained a significant number of persons over the age of 25. While there are examples of Ontario retirees “cashing out” of their expensive homes and moving to other provinces, their numbers are relatively modest compared to young working-age people. The advent of working from home has made it easier for workers in Canada to move to a more affordable community while at the same time keeping their existing job.

[25] Data Source: Statistics Canada. " Estimates of interprovincial migrants by province or territory of origin and destination, quarterly" Table: 17-10-0045-01. Link.

Figure 21: Number of Net Interprovincial Migrants by Age and Year, Ontario, July 1 to June 30[26]



Alberta's provincial government has spotted this as an opportunity to attract and retain talent. They have launched an advertising campaign called *Alberta is Calling* to promote the virtues of the province to Ontarians considering a move. Figure 22 shows one of their advertisements, which notes the much lower cost of housing in Edmonton relative to the Greater Toronto Area.

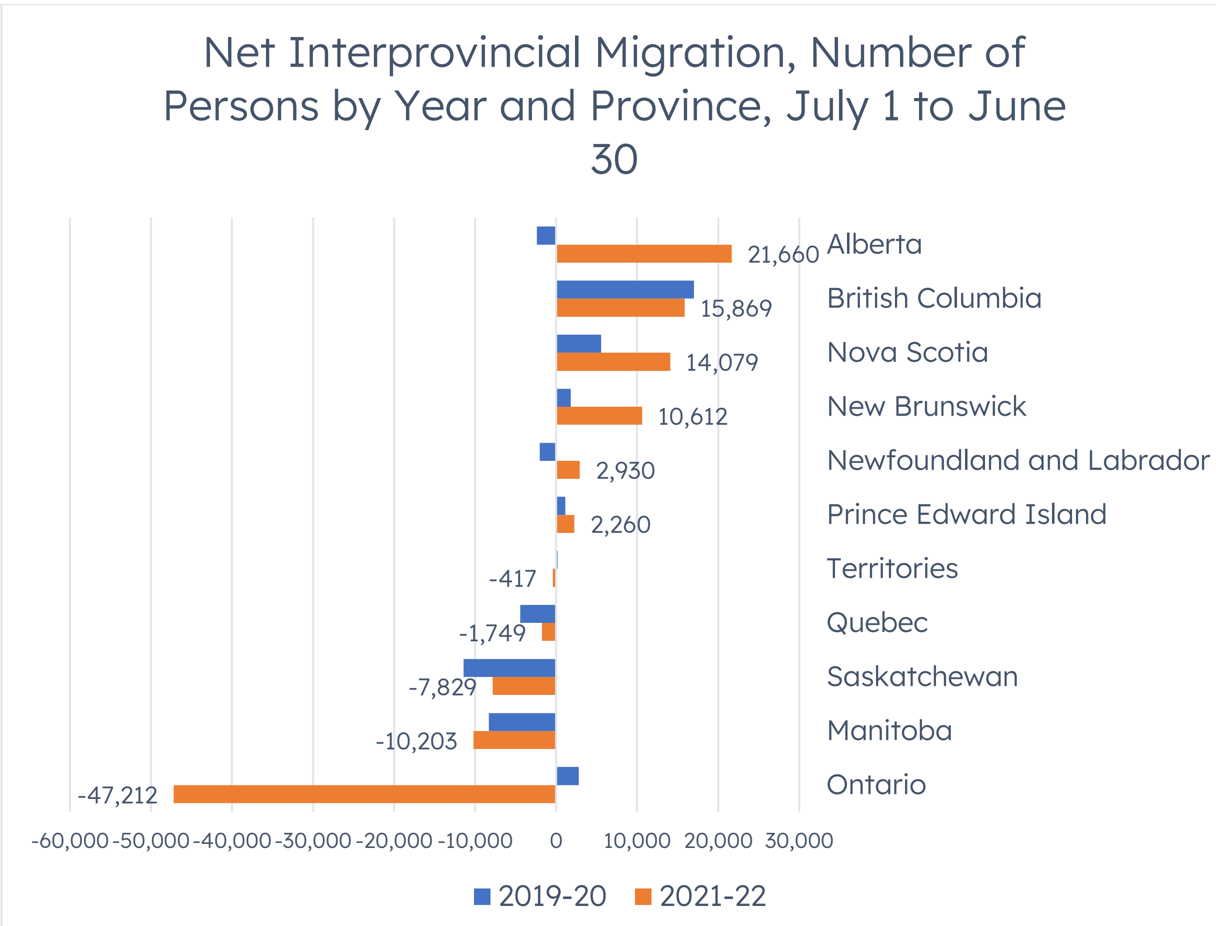
Figure 22: Alberta is Calling Advertisement at a Toronto Subway Stop[27]

[26] The year on the graph refers to the population growth that occurred between July 1 of the previous year and June 30 of that year, e.g. '2020' refers to the population increase that occurred from July 1, 2019 to June 30, 2020. Data Source: Statistics Canada. "Components of Population Change by Census Division, 2016 Boundaries." Table: 17-10-0140-01. Link.

[27] CityNews, "'Alberta is Calling': Marketing campaign calls on Toronto residents to move out west" CityNews. September 26, 2022. Link.

Alberta's efforts appear to be working. Between July 1, 2019, and June 30, 2020, Ontario experienced a small net inflow of interprovincial migrants, while Alberta experienced a small outflow, as shown in Figure 23. In 2021-22, the story changed substantially, with Ontario losing, on net, 47,212 residents to the rest of the country and Alberta gaining 21,660. The four provinces in Atlantic Canada experienced significant increases in interprovincial migration, while British Columbia's has declined slightly though it remains elevated.

Figure 23: Net Interprovincial Migration, Number of Persons by Year and Province, July 1 to June 30[28]



While having young adults and families leave Ontario for other provinces does relieve the pressure on housing demand, it is also a significant loss of talent. To be an economically and culturally prosperous society, Ontario needs coders, truck drivers and artists, and they must be able to afford to live in the province. A society cannot succeed without a prosperous middle-class, so collectively, we are responsible for ensuring an attainable home for everyone, regardless of income level.

In short, we need more homes.

[28] The year on the graph refers to the population growth that occurred between July 1 of the previous year and June 30 of that year, e.g. '2020' refers to the population increase that occurred from July 1, 2019 to June 30, 2020. Data Source: Statistics Canada. "Estimates of interprovincial migrants by province or territory of origin and destination, quarterly" Table: 17-10-0045-01. Link.

The need for 1.5 million homes is real

Specifically, we need at least 1.5 million more homes to keep up with population growth and demographic change. The initial 1.5 million figure was first proposed in the Ontario Housing Affordability Task Force Report, released in February 2022. This target was adopted by all four provincial parties with seats in the Legislature during the 2022 election. However, the Report gave no details on how they arrived at that figure.

To determine if a 1.5 million housing demand estimate was reasonable, the Smart Prosperity Institute (SPI) decided to test this figure by creating their own demand model using reasonable estimates to see if the figure obtained was in the ballpark of 1.5 million. In the paper *Ontario's Need for 1.5 Million More Homes*, SPI created a *Rest of Canada Average* (RoCA) Benchmark, which is the average housing supply levels in Canada in 2016, outside of the two provinces with chronic housing shortages, Ontario and British Columbia, adjusted for both population size and age.[29] The paper found that using Ontario Ministry of Finance population projections, under the RoCA Benchmark, Ontario had a pre-existing shortage of 471,500 homes in 2021 and will need an additional 1,034,900 homes to keep up with projected 2021-31 population growth and aging for a combined total of 1,506,400 net new homes needed over the next ten years, as shown by Figure 24. We should note that the SPI paper predates the increase in immigration targets by the federal government and thus is likely an underestimate.

Figure 24: Breakdown of Housing Demand Estimates from *1.5 Million More Homes*[30]

Demand Component	***Estimated Number of Units***
Pre-Existing Shortage	471,267
2022-31 Projected Family Formations Based on 2021 Ministry of Finance Population Projections	1,012,170
2022 Ministry of Finance Population Projection Revisions	22,948
Total	**1,506,385**

The report also estimated the number of net new houses it would take for each of Ontario's 49 Census Divisions[31] to reach the RoCA Benchmark by 2031, to help policymakers understand the geographic distribution of future housing demand. Later in 2022, the provincial government would embark on a similar exercise, assigning ten-year housing supply targets for 29 of Ontario's largest and fastest-growing municipalities. The exercise had some substantial differences from the SPI demand estimates, including:

- The targets are at the municipal level rather than the Census Division level. Only three municipalities of the 29, Toronto, Ottawa, and Hamilton, have identical municipal and Census Division boundaries. Some Census Divisions, such as Peel, contain multiple communities with housing targets. In contrast, others, like Essex and Middlesex, contain one large municipality with a housing target (Windsor and London, respectively) and several smaller, rural municipalities without assigned targets.

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[29] Appendix A contains the methodology for the RoCA Benchmark.

[30] Data Source: Moffatt, Mike, Maryam Hosseini, and Alison Dudu. "Ontario's Need for 1.5 Million More Homes." Smart Prosperity Institute, August 2022. Link.

[31] In Ontario, a Census Division is typically a regional municipality, a county, or, in northern Ontario, a district.

- The provincial targets do not cover the entire province, whereas the SPI estimates do.
- The SPI estimates only consider the demand for housing; they do not incorporate any considerations of a place's ability to meet that demand or any supply-side limitations, such as a lack of land.

Despite these differences, there is considerable alignment between the SPI demand estimates and the provincial housing targets. Figure 25 contains SPI's demand projection for every Census Division with a provincial target, along with the provincial targets, where municipalities are grouped by Census Division. Note that of our three communities with identical municipal and Census Division boundaries, the provincial targets are higher than the SPI demand forecasts for Toronto (285,000 vs. 259,000) and Ottawa (151,000 vs. 101,000), but lower for Hamilton (47,000 vs. 52,400). Complete tables for the SPI demand forecasts and the provincial targets can be found in Appendix B and Appendix C.

Figure 25: SPI Housing Demand Estimates from *1.5 Million More Homes* and Municipal Housing Targets Set by the Province of Ontario[32]

Census Division	SPI Demand Projection	Provincial Target Communities	Provincial Housing Target of Communities within Census Division	Difference[33]
Peel	277,000	Mississauga, Brampton, Caledon	246,000	31,000
Toronto	259,000	Toronto	285,000	-26,000
York	180,100		125,000	55,100
Ottawa	100,100	Ottawa	151,000	-50,900
Halton	90,400	Oakville, Burlington, Milton	83,000	7,400
Durham	89,900	Oshawa, Whitby, Ajax, Pickering, Clarington	84,000	5,900
Waterloo	78,000	Kitchener, Cambridge, Waterloo	70,000	8,000
Simcoe	69,900	Barrie	23,000	46,900
Hamilton	52,400	Hamilton	47,000	5,400
Middlesex	39,500	London	47,000	-7,500
Niagara	39,100	St. Catharines, Niagara Falls	19,000	20,100
Essex	30,400	Windsor	13,000	17,400
Wellington	29,600	Guelph	18,000	11,600
Brant	13,300	Brantford	10,000	3,300
Frontenac	6,300	Kingston	8,000	-1,700
TOTAL	**1,355,000**	**TOTAL**	**1,229,000**	**126,000**

[32] Data Sources: Moffatt, Mike, Maryam Hosseini, and Alison Dudu. "Ontario's Need for 1.5 Million More Homes." Smart Prosperity Institute, August 2022. Link and Environmental Registry of Ontario. "Province of Ontario – Municipal Housing Targets." Link.

[33] Note that the provincial target communities does not include all communities in a census division. For example, Halton Hills, inside Halton, was not given a municipal housing target. Including those communities could partly, if not completely close the gap between SPI Demand Projections and provincial targets. This applies to most, but not all of Ontario's Census Divisions

Given the province's rapid population growth, 1.5 million net new homes in ten years is an appropriate target for Ontario. In fact, it may be slightly too low, given the recent increase in immigration targets.

But how achievable is it? The obvious first place to look for context is examining how many housing units are typically built in Ontario over a decade. This historic context provides a sobering reality.

Ontario has never come close to building 1.5 million homes in any ten-year period

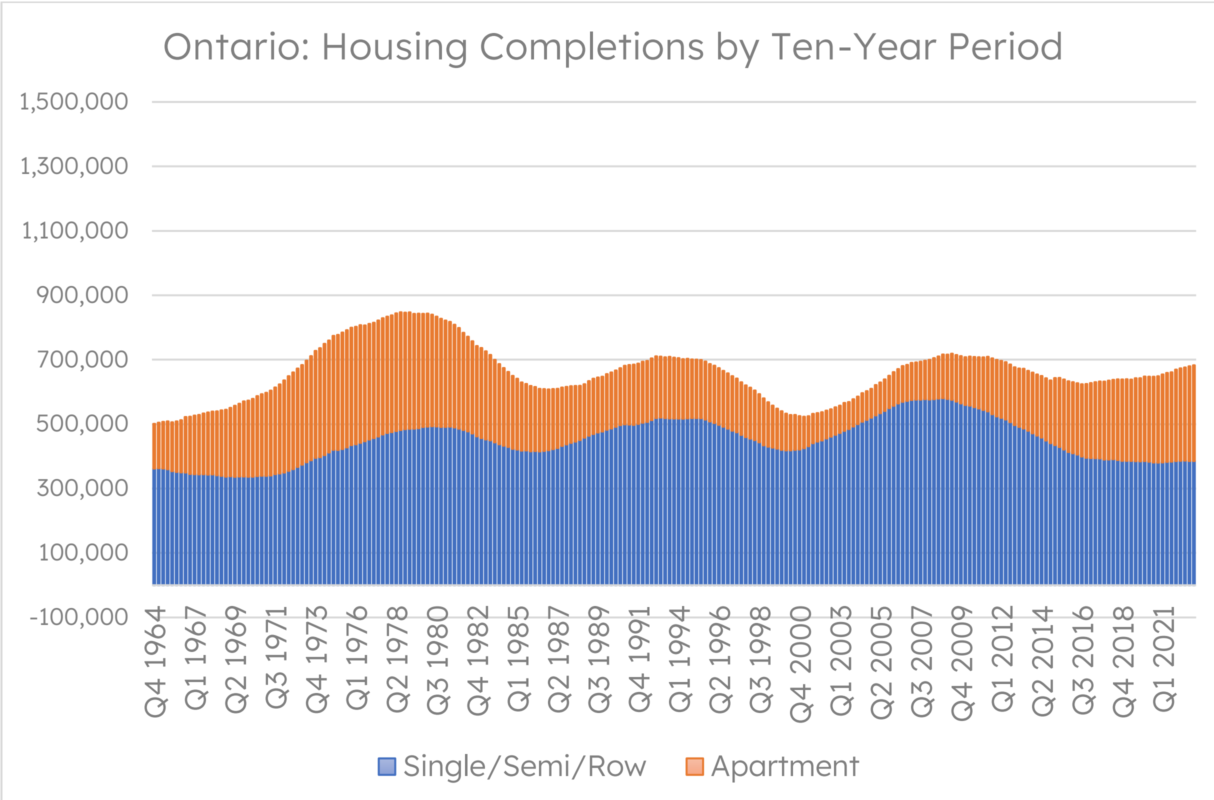
Judging by the historical context, building 1.5 million homes in ten years will be a monumental challenge. And that may be understating it. Statistics Canada Table 34-10-0135-01 contains data from the Canadian Mortgage and Housing Corporation (CMHC) on housing completions stretching back to 1948. The data can be summarized as follows:

- Ontario has never built 1,500,000 homes in ten years. Ever.
- From 2013 to 2022, there were 682,718 homes built in Ontario. This figure is less than half of the target, with a growing share of these being small one-bedroom and studio apartment suites unsuitable for families with children.
- The most homes built in any ten years in Ontario was 847,311, built between the 4th quarter of 1968 and the 3rd quarter of 1978.
- It has been over four decades since Ontario has built even 750,000 units, or half of the current target. Between the 4th quarter of 1972 and the 3rd quarter of 1982, 757,369 homes were built in the province. This period roughly coincides with the broadcast run of the television show M*A*S*H (September 17, 1972 to February 28, 1983).
- These figures do not consider houses lost through demolition or other means, so they overstate the net increase in the housing stock.
- The 1.5 million housing target does not consider the *type* of units needed to be built. There has been a growing trend toward building 1-bedroom and studio apartments. However, the greatest needs are in family-sized units, which, all else being equal, take longer to build as they are larger.

Figure 26 shows how many homes Ontario built between 1955 and 64.[34]

[34] More limited data is available through 1948. In the ten-year period from the start of 1948 to the end of 1957, 372,500 homes were built in the province of Ontario.

Figure 26: Housing Completions by Ten-Year Period in Ontario[35]



In short, in the next ten years, Ontario needs to do something it has not done in over 40 years and then double it.

We should not underestimate the challenge of building 1.5 million homes in ten years, particularly when we need to do so in a way where we create fantastic communities where families can raise children, where there is an attainable home for everyone regardless of their income level. We must also build in a way that brings us closer to our climate and environmental goals.

However, we can meet or even exceed this goal with enough hard work and political will. To achieve that goal, we must understand the bottlenecks preventing more housing in Ontario, particularly housing that is attainable, family-friendly, and aligned with our environmental and climate goals.

[35] The quarter on the graph refers to housing completions that occurred in the previous ten years, e.g. ‘Q4 1964’ refers to housing completions from Q1 1955 to Q4 1964. Data Source: Canada Mortgage and Housing Corporation. "Housing Starts, Under Construction, and Completions, All Areas, Quarterly." Statistics Canada, Table: 34-10-0135-01. [Link].

We must collectively address the six core challenges to hit a 1.5 million housing unit target

There is no single cause of Ontario's crisis, no single barrier preventing it from being solved, and no single policy solution to fix all of this. Making the problem even more challenging is that no one order of government or organization can implement all the needed changes to ensure a family-friendly, climate-friendly home for all in Ontario.

There are dozens of overlapping challenges which must be overcome in creating a housing system that works for all. To create organizational coherence, we have classified these challenges into six broad themes:

1. **Coordination:** No one actor in the system can ensure that housing completions keep pace with population growth. All orders of government, the higher education sector, builders, developers, and the non-profit sector all play a vital role.
2. **Ability**: Building homes requires sufficient labour, materials, equipment, land, infrastructure, and capital. Not having enough plumbers, enough bathtubs, or money to pay for plumbers or bathtubs will prevent the necessary quantities of homes from being built.
3. **Viability**: Or, as developers ask, "will it pencil?" For-profit builders and developers will not build unless it makes economic sense for them to do so.
4. **Productivity:** There are some inputs to homebuilding where we may not be able to double or triple them quickly, such as specific types of skilled labour. Homebuilding in Ontario needs to be more productive and innovative.
5. **Permission:** The regulatory environment needs to allow housing to be built, with minimal delays, while producing them safely, protecting the environment, and creating great communities.
6. **Non-Market Housing:** There are housing needs that the market simply cannot meet. The limitations of the market create the need for governments and not-for-profit actors to build everything from supportive housing units to student residences and do so in sufficient quantities.

Under each of these categories, we have compiled a list of just some of the challenges. The list is not exhaustive; further research must be done to identify all the barriers. This paper also lists possible policy solutions and solutions that can come from non-government actors. As with the challenges, the list is not exhaustive, and further research needs to be done to identify national and international best practices and design considerations. The recommendations made in this paper should not be seen as detailed policy prescriptions but rather as general guidance.

Coordination

Perhaps the biggest challenge in rapidly accelerating homebuilding, and getting all parts of the system to work in tandem, is coordination. Different orders of government, departments within the same government, and other actors in the system need to collaborate and have shared accountability. These coordination challenges include:

Coordination on Population Growth Policies and Housing Policies: The National Housing Strategy Act[36] makes it clear that the federal government recognizes that "the right to adequate housing is a fundamental human right affirmed in international law." Since every person in Canada has a fundamental human right to adequate housing, at minimum, our policies that determine the population growth rate must be aligned with our policies that determine the housing growth rate. The policies that help determine the population growth rate include the immigration policies of the federal and provincial governments and the design of temporary resident programs for temporary foreign workers to international students. The rules governing how many hours an international student can work while in school or how long they can work in Canada after graduation increases (or decreases) Canada's attractiveness to international students. Finally, the enrollment decisions made by higher education institutions and the provincial and federal rules governing those institutions help determine the number of people in Canada.

We need greater alignment of our population growth policies and housing policies from the national to the local level. This coordination is crucial locally, as the enrollment decisions made by a college or university and the rate at which they build new student residences substantially impact the community's ability to maintain rental housing affordability.

Coordination on a Shared Vocabulary: We also need a shared vocabulary regarding housing-related terms. Part of the difficulty in collectively designing a housing system that works for all is that we often do not speak the same language. Terms such as *affordable* mean different things to different actors and have competing definitions across pieces of legislation, such as *at or below 80% of market price or rent* or *housing units where households spend less than 30% of their gross income on shelter costs*.

"Financialization" is another one that causes actors in the system to talk past each other, as Social Innovation Canada discovered in their study *Financialization and Housing*[37]:

> In our interviews with experts and stakeholders, we discovered that the term invoked a variety of responses. For some, the term financialization refers to the fact that houses are increasingly valued as investment opportunities rather than as places to live. For others, it refers more specifically to the development of mortgage-backed securities, or to the rise of pension funds and other 'financialized' investors in rental markets. Finally, many dismiss the concept altogether by arguing that "there is nothing new about financialization": landlords have always looked to generate a return on their investments; homebuyers have always thought of their

[36] Government of Canada. "National Housing Strategy Act" Justice Laws Website, July 27, 2023. Link.

[37] Social Innovation Canada. "Financialization and Housing: A social innovation approach to a better housing system". Housing Lab Report, December 2021. Link.

> home as both a place to live and as a means to accumulate wealth, and mortgages have always been about turning a profit.

Further confusion stems from how housing units not yet built are categorized. A March 2023 report by the Regional Planning Commissioners of Ontario categorizes unbuilt units as either development ready, under application, *or proposed*.[38] Other groups use terms and categories such as "approved but not built," "draft approved," "pending units," and "potential development units."

We must standardize and expand on these definitions as part of a collaborative effort to build more housing. At a minimum, these should include the following:

- Definitions that describe the cost of housing, which at a minimum, should include *affordable housing*, *attainable housing*, *deeply affordable housing*, and *market rent*.
- Definitions that describe the continuum of yet-to-be-started projects, from *approved but not built* to *potential development units*.
- Definitions that touch on the subjects of financialization, the purchase of existing properties to earn a return, and the building of new properties to earn a return. The term *investment* captures many activities with very different impacts on the housing market.

Once we speak the same language on housing, we can use those definitions to collect better data.

Coordination on Data: There are substantial data gaps in housing; for example, there is little publicly available data on the continuum of yet-to-be-started projects. Better data, mainly publicly available data to all stakeholders and researchers, would aid in better understanding the barriers to building more housing and increasing accountability for all actors in the system. There is a desperate need for data and shared definitions on the number of units approved but not built by municipality.

Coordination on Population Forecasts: Accurate population forecasts are vital for planning, a theme we examine in the report *Forecast for Failure*.[39] This is not unknown to the provincial government, as their 2015 expert report on the provincial Growth Plan made clear:[40]

> Forecasts are fundamental to the Growth Plan and essential to its effectiveness because they enable municipalities to plan for and manage the growth that is coming, and to assess whether they have enough land to accommodate forecast growth within existing settlement areas.

However, these population forecasts made by different orders of government are not coordinated with each other, with the federal government, provincial government, and municipalities all using differing forecasts and projections, with significant differences in inputs and assumptions. Furthermore, these forecasts and projections are often outdated, as they are not updated with changes to immigration targets or international student policies.

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[38] Regional Planning Commissioners of Ontario. "Regional Planning Commissioners of Ontario issue inventory of Ontario's unbuilt housing supply" Regional Planning Commissioners of Ontario, March 7, 2023. Link.
[39] Moffatt, Mike, and Mohsina Atiq. "Forecast for Failure: How a Broken Forecasting System Is at the Root of the GTAH's Housing Shortage and How It Can Be Fixed." Smart Prosperity Institute, January 2022. PDF Link.
[40] Government of Ontario. "Planning for Health, Prosperity, and Growth in the Greater Golden Horseshoe: 2015-2041." Government of Ontario, December 2015. PDF Link.

The Ontario Housing Affordability Task Force report[41] made a common set of population projections as one of their 55 recommendations, stating:

> Require municipalities and the provincial government to use the Ministry of Finance population projections as the basis for housing need analysis and related land use requirements.

Ideally, the provincial projections should be aligned with the federal government's. The population projections should also be at the municipal rather than census division level to better aid cities with planning decisions.

Coordination on a Plan with Shared Accountability: Finally, there are so many policies and activities that affect both the demand and supply of housing that no one actor controls. As such, there is value in governments, industry, and labour coming together and developing a plan outlining roles and responsibilities, along with a shared accountability framework. At a minimum, any plan should be based on these three core principles.

1. **Housing is a human right:** Every person in Canada has the right to safe, affordable housing that meets their individual and family needs.
2. **Housing is a system**: The price and availability of housing in one community affect other communities; similarly, a shortage of one housing form can create shortages in other forms.[42]
3. **More housing is necessary but not sufficient:** There is a need to create complete, environmentally sustainable communities, reduce inequality, and ensure access to education and health services, including mental health. Housing supply is an essential piece of that, but it is only one piece.

Ability

Arguably, the biggest bottleneck to building 1.5 million new homes is a shortage of skilled labour. According to the October 2022 CMHC report titled Labour Capacity Constraints and Supply Across Large Provinces in Canada, Ontario, Quebec, and British Columbia will need to double their housing starts in the next eight years to meet the CMHC's affordability supply target for 2030. However, under the most optimistic circumstances, labour limitations will only allow these provinces to achieve increases of 36%, 41%, and 29%, respectively. Lack of municipal staff in planning departments is also an issue, with a 2022 Altus report noting that "some municipalities [in the Greater Toronto Area] are reporting high levels of vacant positions, with cost of living, compensation and intensity of the work environment cited as reasons why positions are hard to fill." The higher education system plays a vital role in ensuring the supply of skilled workers. Employee compensation must be increased to attract talent, and municipalities need the financial resources to adequately staff planning departments.

To build 1.5 million new homes, having enough building materials and equipment, such as cranes, is necessary. Supply chain disruptions during the pandemic created equipment and materials shortages,

[41] Government of Ontario. "Report of the Ontario Housing Affordability Task Force." Government of Ontario, February 8, 2022. PDF Link.

[42] For example, a lack of student residences will create the conditions for investors to buy up family-sized homes and turn them into student rentals, decreasing the number of homes available for first-time home buyers wanting to raise children.

leaving many buildings in a partly-completed state. While this is mainly resolved, governments play a vital role in building the infrastructure needed to get materials and equipment where they need to be.

It is important to note that solving a shortage of skilled labour and materials does not necessarily need to be solved by adding more skilled labour and materials. Instead, using the existing materials and labour more effectively is a more cost-effective and often environmentally friendlier alternative. Refer to the section on productivity for more details.

A lack of land and infrastructure can also limit homebuilding. Governments must ensure adequate serviced and serviceable land and the infrastructure to support good neighbourhoods. Often this infrastructure will be provided by municipalities, which need adequate revenue tools to provide everything from roads to parks to community centres. A lack of energy infrastructure, including grid capacity, can stall or prevent otherwise viable housing from being built. Schools must be built to accommodate the growth of families with children. A limited land supply can also drive up the cost of available land, making it more expensive for developers to acquire and develop properties. Refer to the viability section for more details.

The ability to finance is crucial to building communities, whether it be governments needing to finance infrastructure building or developers needing financing for projects. The recent rise and volatility of interest rates have caused both an increase in the cost of capital and the availability of capital, leading to a reduction in housing starts. Governments, particularly the federal government, can affect both the availability and cost of capital through lending rules, programs offered by the CMHC and other agencies, and changes to the tax code, such as altering capital-cost allowance provisions or removing the HST on purpose-built rental unit construction.

Viability

Private sector developers will only proceed with a project if the expected risk-adjusted after-tax rate-of-return on that project exceeds a certain threshold. Governments can positively affect a project's expected risk-adjusted after-tax rate of return in one of three ways.

1. **Increasing the revenue on a project or lowering the cost**. Costs, rather than revenues, are where governments can have the most impact[43]. These costs include:

    a. **Cost of land**: Policies that impact the supply of land or allow developers to use land more efficiently can lower the cost of projects.

    b. **Cost of building materials**: Tax policies, such as import tariffs, affect these. Infrastructure can also play a role. If a lack of port capacity causes supply chain bottlenecks, the cost of building materials will increase.

    c. **Cost of labour and equipment:** Payroll taxes and other fees can impact the cost of labour and equipment.

[43] Though there are policies that can impact the expected revenue, such as rent control.

d. **Cost of financing and insurance:** These are affected by government regulations, interest rate decisions made by the Bank of Canada, and the fees and premiums on CMHC products, such as MLI Select.

e. **Development charges, fees, and taxes, including HST on purpose-built rental construction**: It is vital to recognize that all orders of government require revenue, particularly to build all the supporting infrastructure that makes for great communities. However, it is also important to recognize that charges and other taxes on new construction can raise the cost of projects to the point where they are no longer viable. Ontario could look to other provinces, such as Quebec, for models where infrastructure funding is less reliant on development charges. Infrastructure must be paid for, so any changes to development charges must be offset with increased revenue from other sources.

2. **Decreasing approval delays along with the risks that projects will not be approved:** Time is money, so approval delays, from delays in municipal approvals to delays in obtaining financing, can increase the costs of a project to the point it is no longer viable. Those delays can also increase risk, even when obtaining approval is all but certain. Interest rates can change while a project is getting approved, so by the time approval is received, the project may no longer be financially viable due to the rate change.

3. **Changes to the tax code which reduce or defer income tax on projects**. These taxes are distinct from the taxes, fees, and charges that impact the profitability of projects. Instead, the income and corporate income tax systems impact how much profit is returned to the government and when. The tax system can be used to both incentivize and disincentivize certain activities. For example, in the 1960s and early 1970s, favourable provisions in the tax code allowed owners of new purpose-built rental projects to write down their expenses faster and keep those benefits after the sale so long as the proceeds were used to build more purpose-built rental apartments.[44] These kinds of tools can be pretty valuable in increasing the housing supply.

Housing will only be built by the private sector if viable. This maxim applies to both for-profit and not-for-profit developers and builders. The viability of projects is, in part, a function of government policies.

Productivity

The labour limitations described earlier make it clear that Ontario will not be able to meet its housing targets by simply doing more of the same. Instead, builders and developers must change how and what they build. Becoming more efficient with labour and materials will not only allow us to build more homes, but it will also allow us to do so faster, less expensively, and often have environmental benefits as well. There are a few different broad pathways to increasing productivity, including:

1. **Changing the types of homes that are built:** Building a duplex typically requires less labour, land, and materials than building two similarly sized single-detached homes.

[44] Moffatt, Mike, and Ken Boessenkool. "How Canada can create more rental housing" Globe and Mail, May 1, 2023. Link.

2. **Adopting new methods of building homes:** Modular housing construction, 3D printing, and mass-timber construction can often be done with lower material and labour inputs than traditional forms of housing.

3. **Developing new forms of building:** Innovations can be created and popularized to increase construction productivity and energy efficiency, climate resiliency, and accessibility.

4. **Upskilling the labour force:** Ensuring that skilled tradespeople are adept at using cutting-edge technologies and methods can allow homes to be built faster.

However, these outcomes do not simply happen by themselves. They require governments to have an innovation strategy on housing and use tools such as procurement to create economies of scale and learning by doing. Developers and builders must be willing to adopt new technologies and methods, and funders and insurers must be willing to accept these projects. Labour must show a willingness to adapt. Most importantly, every actor in the homebuilding system must be permitted to do things differently.

Permission

The permissions category covers various rules, regulations, and requirements that govern what can and cannot be built, financed, or insured. These include municipal zoning rules, provincial building codes, federal mortgage regulations, and immigration rules. It should go without saying that rules are necessary to protect the environment, ensure public safety, and create great neighbourhoods. But that should not suggest that the current regulatory regime is perfect. There are at least four broad types of reforms that governments can enact to help build more homes in a responsible way:

1. **Reforming or eliminating rules that are counterproductive or have unnecessarily significant unintended consequences:** These include rules from single-family zoning to requirements that midrise apartments contain multiple staircases. While these rules serve valuable purposes, such as creating great neighbourhoods to fire safety, they also have unintended consequences, from sprawl to reducing the number of family-sized apartment units. Policymakers must find ways to achieve these policy objectives at a lower cost with fewer unintended consequences.

2. **Ensure rules are kept up to date with changing technologies and practices:** Innovative new methods, materials, and techniques are vitally important to build homes faster and less expensively but also make those homes more energy efficient, climate resilient, and accessible. However, rules and regulations, from the building code to mortgage regulations, may inadvertently not allow those innovations to be used simply because they did not exist when those rules were written. Continually updating these standards is necessary to enhance productivity and accelerate innovation.

3. **Clarifying rules to remove the subjectivity in processes that lead to uncertainty of outcomes:** Rules that lack clarity or are highly subjective lead to uncertain outcomes. These regulatory issues increase developers' risks and costs, harming viability.

4. **Reducing the time it takes to obtain an approval or a rejection:** Time is money, and approval delays can make projects not viable or increase costs which are then passed along to renters

and homebuyers. When interest rates are volatile, rate changes during the approvals process can render projects unviable.

Reforming our permissions systems is vital if Ontario will build 1.5 million homes in ten years. The system is complex, however, and will require all actors in the system to work together to identify valuable reforms and implement change. These reforms are needed not just to build market-rate housing but the entire housing spectrum.

Non-Market Housing

There is a continuum of housing types, which includes both market and non-market housing. Hachard, Eidelman, and Riaz identify nine different housing types on the continuum[45], two of which are built through market forces:

Home Ownership: Housing purchased by individuals/households at market prices.

Private Rental: Units owned by individuals/firms charging market rents.

There is a third type, which is built by industry but subsidized by governments:

Below-Market Rental/Ownership: Private rental or ownership units subsidized by government.

Then there are six types which reside outside of the market:

Community or Social Housing: Developed with public funding; owned/operated by government, non-profits, or co-operatives.

Supportive Housing: Facilities with integrated services to help people live independently.

Transitional Housing: Temporary housing for people transitioning from shelters to permanent housing.

Emergency Shelters: Short-term lodging for people experiencing homelessness.

Homelessness Services: Social services for people who lack stable, safe, or adequate housing.

It is simply not viable for the private sector to build seven of the nine types of housing on the continuum, creating a role for government to subsidize or operate these homes. Furthermore, while building homes is necessary, it is not sufficient, as additional wrap-around supports are needed for vulnerable populations. All orders of government play a role in facilitating their construction. However, the federal and provincial governments are better positioned to finance these projects because they can access more revenue tools. Given the need for more student residences, the higher education sector also plays a vital role in non-market housing.

With this taxonomy of bottlenecks to building more housing, we can examine each actor's role in the system. In doing so, what becomes apparent is that the housing system is an overlapping web of roles and responsibilities. This complexity makes coordination vital, as decisions by different actors often need to be made and implemented in tandem for the system to function.

[45] Institute on Municipal Finance and Governance. "Who Does What Series: The Municipal Role in Housing", Institute on Municipal Finance and Governance, April 2022. Link.

Roles for Each Actor in the System

Several reports have examined the role of each actor in the system, from the Association of Municipalities of Ontario's (AMO) 2022 release "An Integrated Approach to Address Ontario's Housing Crisis"[46] to the Ontario Chamber of Commerce (OCC)'s forthcoming release "Home Stretched: Tackling Ontario's Housing Affordability Crisis Through Innovate Solutions and Partnerships." This sector builds from their work and other reports and places it into the context of our taxonomy.

Federal Government

Using our six critical role taxonomy, we can identify many roles the federal government could play in increasing the housing supply. These include:

1. **Coordination:** Coordination on definitions, data, and more detailed population forecasts would allow all three orders of government to make more evidence-based decisions related to housing, along with integrating immigration policy and international student policy with housing policy. Immigration targets and the number of temporary foreign worker and international student permits issued should be aligned with municipal housing pledges, official plans, and housing projections.

2. **Ability**: The federal government can increase the supply of skilled tradespeople through international levers such as the Federal Skilled Trades Program immigration stream and domestic levers such as financial support to individuals wishing to enter the trades. They provide financing and insurance for non-market and market housing and the necessary infrastructure directly or through financial support. In particular, they can provide insurance for novel new building practices, such as mass timber, that private insurers have trouble pricing. The National Building Code is vital in determining what can and cannot be built.

3. **Viability**: The tax system is crucial in determining whether an investor will build new housing units, buy up existing units rather than build them, or stay out of the market entirely. Tariffs, sales taxes on building materials, and other taxes on inputs push up costs, affecting both the housing price and the amount built. Capital cost allowance rates, the ability to deduct capital cost losses against other income, and the tax treatment of "soft costs" help determine whether a new purpose-built rental project is financially viable. The rate of CMHC insurance premiums and other fees can make or break a project.

4. **Productivity:** How homes can be built impacts homebuilding's speed and labour intensity, so the National Building Code plays a vital role in the sector's productivity level. Innovation policy is critical in enhancing sectoral productivity; however, innovation policy is rarely applied to the construction industry. For example, the federal government has Global Innovation Clusters for digital technology, protein industries, advanced manufacturing, scale AI, and oceans; it lacks one for homebuilding. Procurement policy also helps new technologies scale, so governments can use their spending needs to help nascent industries. It could purchase significant quantities of

[46] Association of Municipalities of Ontario. "A Blueprint for Action: An Integrated Approach to Address the Ontario Housing Crisis" Association of Municipalities of Ontario, March 1, 2022. Link.

3D-printed or mass timber homes to provide housing for military families, which enhances productivity through learning by doing.

5. **Permission:** The government plays only an indirect role in permission, though programs like the Housing Accelerator Fund are designed to speed up municipal approvals. Governments can use their spending powers in a carrot-and-stick approach to affect decision-making by other actors.

6. **Non-Market Housing:** The government plays a vital role in determining the amount of non-market housing built in Canada through direct building, financial support, and policy. This role can be through existing programs, such as the Housing Accelerator Fund, or through new programs, such as cost-sharing initiatives to build more on-campus student residences.

Although some may believe that housing is outside the jurisdiction of the federal government, by using this taxonomy, it becomes clear that the federal governments have a suite of policies that can use to accelerate home building across Canada.

Provincial Government

The provincial government's February 2022 "Report of the Ontario Housing Affordability Task Force"[47] provided 55 recommendations to the provincial government, many of which have not (to date) been implemented. Those recommendations fit well into our taxonomy, though they are relatively light on non-market housing. AMO has also made several recommendations addressing these six bottlenecks, including the need to implement the Ontario Housing Affordability Task Force recommendations. The recommendations include the following:

1. **Coordination:** AMO has made it clear that there is a real need for all orders of government to jointly implement the recommendations of the task force, recommending that the province **"**[w]ork collaboratively with the *Housing Supply Action Plan Implementation Team* and other key stakeholders to implement the recommendations of the Ontario Housing Affordability Task Force." The word *collaboration* is critical. The province must bring together stakeholders to create a joint accountability framework on the goal of building 1.5 million homes. This framework should, at a minimum, create a standard set of definitions, including, but not limited to, defining affordable and attainable housing.

2. **Ability**: The province plays a vital role in expanding the pool of skilled workers, with AMO recommending that Ontario "[e]xplore ways to address the shortage of skilled labour in the construction trades through workforce development strategies, including measures such as education, training, apprenticeships, public promotion, and immigration." The provincial government also plays an essential role in the immigration system, notably the Ontario Immigrant Nominee Program. The provincial government also has an inventory of land that could be made available for homebuilding.

3. **Viability**: Most levers to directly lower the cost of homebuilding are controlled by other orders of government, particularly the federal government. One significant lever the province does

[47] Government of Ontario. "Report of the Ontario Housing Affordability Task Force." Government of Ontario, February 8, 2022. PDF Link.

have is Land Transfer Taxes, which drive up the cost of selling homes. As well, decisions that the provincial government makes, particularly with land use planning, can indirectly lower the price of land or increase the productivity of land (by allowing more housing to be built there), lowering the per-unit cost of building housing.

4. **Productivity:** The province plays an essential role in accelerating housing innovation. The OCC recommends that the province "[p]rovide training and retraining opportunities to foster the next generation of talent needed to support the construction and manufacturing of housing using innovative and sustainable technologies, including modular construction, 3D-printed housing, tiny homes, and others." Similarly, AMO recommends that the province "accelerate the development of new housing supply by supporting new technology and methods (e.g., e-permitting and Lean Sigma methodologies, etc.), as well as the dissemination of best practices that could assist in more efficient planning and development approval processes while respecting sound planning practices."

5. **Permission:** It cannot be understated how vital the province is in determining what can and cannot get built. Much of the Ontario Housing Affordability Task Force report is on the province's role in providing permissions. To illustrate the importance of the province in permissions, here are just some of the recommendations from the AMO and OCC blueprints on provincial approvals:
   a. **"**Recognize the complexity and lack of clarity between the Planning Act, Growth Plans, and the Provincial Policy Statement and take steps to educate municipalities and developers on these changes as well as revise the Provincial Policy Statement to better facilitate housing development in rural and northern areas." (AMO)
   b. "Review the Building Code for clarity and provide greater education to municipal governments, developers, and the public on how to apply the Code to achieve a greater supply of safe and sustainable housing." (AMO)
   c. "Monitor and evaluate the implementation of inclusionary zoning and duly consider expanding the areas where this tool can be used to afford a broader application in more communities and neighbourhoods." (AMO)
   d. "Limit appeals of community and supportive housing to the Ontario Land Tribunal." (AMO)
   e. "Evaluate the impacts of de novo hearings at the Ontario Lands Tribunal on the speed of developments immediately. If found to have a negative impact on the speed of OLT decision making, remove the ability of the OLT to have de novo hearings." (AMO)
   f. "Streamline review and approval timelines of provincial agencies involved in reviewing affordable housing and purpose-built rental housing development applications." (AMO)
   g. "Continue to improve capacity and processes at the Landlord and Tenant Board to ensure swift access to justice for landlords and tenants, including by implementing recommendations from the recent Ombudsman of Ontario report." (OCC)
   h. "Create rules and incentives through the Ontario Building Code and other policy levers to [d]evelop accessible, mixed-use, climate resilient, and green housing supply [and] [r]etrofit, convert, and repurpose vacant buildings." (OCC)
   i. "End exclusionary zoning and expand as-of-right and inclusionary zoning to promote the development of a diverse mix of housing types in residential areas (e.g., accessory units,

purpose-built rentals, infill and densification, mixed-use and mixed-income developments, etc.), while recognizing the value of market-driven investments." (OCC)

6. **Non-Market Housing:** The province plays a vital role in the non-market housing system, particularly as it is responsible for the higher education sector, with the AMO advocating that Ontario "[w]ork with universities and colleges to create adequate supply of residence housing for students, both domestic and international." The province can fund social and cooperative housing and supportive living facilities.

The provincial government plays a vital role in the housing system directly and through interactions with other stakeholders, such as municipal governments.

Municipal Governments

The province can implement some of the levers that municipal governments have to address housing, as municipalities are "creatures of the province." Despite the province being able to pull these levers, municipalities are often best left suited to making those decisions, as they can be done in a way that is most appropriate to the local context. As with other orders of government, municipalities can affect all six of our core challenges:

1. **Coordination:** Municipalities play a vital role in bringing together local stakeholders, including community members. Local opposition can often be a bottleneck to building more homes, so getting buy-in from community members can help accelerate construction. Municipal staff and elected officials must understand and articulate the need for more housing and be willing to work with builders and developers. AMO recommends that municipalities "[w]ork with developers to encourage innovative housing while still conforming to the standards of the Ontario Building Code."

2. **Ability**: Municipalities often own significant parcels of land that are underused or used as parking lots. These can be freed up to create housing, with parking lots moved underground if needed. Cities also need to ensure that they have adequate staff to approve projects and are training the next generation of workers. AMO recommends municipalities "[c]onsider municipal succession management strategies to ensure that qualified building inspectors and planning staff are attracted and retained." Local workforce development boards and agencies also play a vital role in ensuring an adequate supply of skilled labour.

3. **Viability**: Municipal fees, particularly development charges, increase project costs, which can harm the viability of projects. It is important to note that the provincial Development Charges Act sets these fees. The provincial government and municipalities could work together to amend these rules while ensuring that cities have the funding to build infrastructure. Development charges can be waived for projects which are particularly important to the community. High property taxes, particularly on multi-unit residential and municipal land transfer taxes (where they exist), can also deter homebuilding. Municipalities must ensure that when raising much-needed revenue, they do not raise the cost of homebuilding past the point of viability. The

municipal approvals process can also increase costs and risks to the point where projects are no longer viable.

4. **Productivity:** Most levers municipalities have to increase productivity in homebuilding are through changes in permissions regimes. However, municipalities must ensure that they become more efficient. Processes which are highly subjective, unnecessarily cumbersome, or rely on outdated technologies can cause substantial delays. Investment and training by municipalities are needed to ensure the home-building process is as streamlined as possible.

5. **Permission:** Municipalities control everything from zoning policies to parking minimums. As such, they can substantially reform the system and get more housing built. There is no shortage of things they can do, with AMO recommending that municipalities "[r]evisit zoning best practices to explore planning solutions that could include zero-lot-line housing, community improvement plan (CIP), reduced parking minimums, tiny homes, laneway housing, flex housing, shared housing, and other types that reduce land costs and increase density." Being able to build more as-of-right would allow for increased development, with AMO advocating that municipalities "[c]onsider and implement as-of-right zoning where feasible to facilitate 'missing middle' housing" and "[c]onsider and implement inclusionary zoning by-laws to increase housing affordability, including in places outside of major transit station areas (MTSAs)." Allowing more as-of-right building, streamlining the approvals process, and becoming more efficient at granting approvals (or rejections) are necessary for building more housing. Municipalities can implement community permitting systems, so developers do not need to go through costly official planning or rezoning applications. By "prezoning" properties, costs and delays can be lowered.

6. **Non-Market Housing:** Municipalities typically do not build non-market housing, though cities like Toronto have considered it. However, they are vital in aiding groups wishing to build non-market housing in a city. Through the permissions process, municipal governments can require a certain number of units in a project to meet affordability or other criteria. However, they must be careful when using these tools such that they do not harm the viability of a project.

Each order of government plays a vital role in aiding in the building of 1.5 million homes. However, collectively, governments build very few homes. As such, much of the responsibility for hitting our target rests with builders and developers.

Builders and Developers

Unlike governments, which do not build homes outside of funding some social housing and higher-education residences, builders and developers are in the business of constructing homes. As such, they have more direct control over how many homes will be built over the next decade. In contrast, outside of non-market housing, governments can only indirectly influence that figure. However, that does not suggest that builders and developers could build unlimited homes, or possibly even 1.5 million, in ten years, as regulatory, economic, and resource constraints restrict them. However, there are several things that builders and developers can do to increase homebuilding in Ontario, which fit into our taxonomy:

1. **Coordination:** Industry must work with governments to share data and a common vocabulary. Developers and municipal governments must act in a spirit of cooperation. Too often, industry will blame municipal governments for not getting projects approved, and municipal governments will blame industry for not getting approved projects built. Instead, the two must work together, with governments assisting industry to get projects approved. As well, industry must be forthcoming and transparent on the bottlenecks to getting approved projects started so that solutions can be found. Builders and developers should collaborate with higher education institutions to address skills shortages and provide data and information on where those shortages are most acute.

2. **Ability**: Labour shortages, particularly in the skilled trades, impact the ability to build enough homes. Industry can address this through training programs, incentives, and by supporting initiatives to get underrepresented groups into the trades. They should promote opportunities in the skilled trades, particularly to younger Ontarians. Industry must also become more efficient and productive to get as much production per worker as possible.

3. **Viability**: High costs can prevent good projects from being viable. While many of these costs, particularly government fees, are out of industry control, others are not. By reducing material waste and adopting more resource-efficient forms of construction, builders can lower costs and often create more energy-efficient and climate-friendly forms of housing. Circular economy approaches to reuse and repurpose materials can achieve better economic and environmental outcomes.[48]

4. **Productivity:** Developers and builders must be willing to adopt new technologies and building methods, such as mass timber and modular construction. What gets built is just as important as how it is built. Multi-unit residential forms of housing can often be built faster, on a per-unit basis, with fewer materials, so industry should look for ways to add additional units to any project.

5. **Permission:** Industry applies for funding and insurance and asks for permission to build rather than granting it. However, developers can accelerate permission granting by ensuring paperwork is completed and delivered quickly. Industry must also work with governments on everything from zoning reform to building code changes. Developers and builders must share their knowledge to create the condition for more affordable, climate-friendly housing.

6. **Non-Market Housing:** Industry should work with governments to add more affordable, supportive, or rent-geared-to-income housing to projects. The expertise of builders and developers is needed to build residences for students to housing for seniors.

We should not simply think of building 1.5 million homes as the responsibility of governments. Industry plays an absolutely crucial role and similarly must reform. The same holds for labour and the higher education sector.

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[48] Smart Prosperity Institute. “Background Material for Circular Economy Roadmaps: Construction.” Smart Prosperity Institute, February 2021. PDF Link.

Organized Labour and the Higher Education Sector

The higher education sector plays a vital role in the housing system. The enrollment decisions that colleges, universities, and other schools make can substantially increase the community's need and demand for housing. However, they also impact the supply of homes, as they train the next generation of workers from architects to skilled tradespersons to urban planners. The organized labour and higher education sectors play many vital roles in the housing system, as follows:

1. **Coordination:** Provide research and data to governments and industry, from labour market forecasts to studies on new building methods. Higher education institutions can be transparent with their enrollment plans and forecasts to help communities plan for the growth in the population of students. At a minimum, higher education institutions should share their enrollment numbers and forecasts with municipalities, developers, and builders. If colleges and universities shared their five-year enrollment plans, it would help both municipalities and the private-sector better plan for growth. Institutions should also collaborate with builders and developers to find solutions to house a growing population of students.

2. **Ability**: Both the higher education sector and the building trades unions play a vital role in ensuring an adequate labour supply to build 1.5 million homes. Some higher education institutions have available land to build student residences.

3. **Viability**: Making land and labour availability can be critical in addressing Ontario's housing shortage. They can also work with developers and builders to increase the productivity of the homebuilding sector.

4. **Productivity:** Higher education and the skilled trades play a vital role in increasing the productivity of the homebuilding sector. Research from colleges and universities on new building materials and methods help drive innovation. The training received in higher education helps workers, from tradespeople to urban planners become more efficient and effective. Institutions, however, must ensure that their curricula keeps up-to-date. Trade unions play a vital role in providing their members with information and education.

5. **Permission:** Research from higher education can help inform improvements to regulatory processes, so long as institutions and governments are willing to work together to find solutions. The skilled trades and provincial governments can work together on revising apprenticeship ratios, so that a new generation of tradespeople can receive on-the-job training.

6. **Non-Market Housing:** With enrollments increasing across the province, there is a desperate need for more on-campus student housing. Colleges and universities must work with all orders of government, and industry, to build more student residences.

This section shows that the housing system is quite complex, with multiple actors having many responsibilities. We should recognize that the actors and roles listed here are more illustrative than exhaustive, so the reality is even more complicated than what has been shown. In short, we should recognize that no one actor or order of government "owns" the housing problem. Only through collaboration and cooperation can we ensure enough homes are built to give every Ontarian a suitable place to call home.

Conclusion – There is a Shared Responsibility to Get 1.5 Million Homes Built

Building 1.5 million homes in ten years in Ontario will require a monumental effort. But it is necessary, as Ontario's population growth rate has surged since 2015, and every person in the province has a human right to housing. We would summarize the challenge of building 1.5 million homes as follows:

1. Ontario has never built more than 850,000 homes in any ten-year period, so while building that many homes is necessary (though not sufficient) to provide adequate housing for everyone in the province, it requires a scaling up of homebuilding that has not been seen in generations.

2. Although the provincial government has set a homebuilding target for itself and 29 different municipalities, governments themselves build very few homes. Instead, they must rely on the private sector to do so.

3. The for-profit and not-for-profit developers and builders in the private sector have some ability to increase production; this ability is limited by six bottlenecks that must be addressed: coordination, ability, viability, productivity, permission, and non-market housing.

4. Well-designed and well-implemented public policy must play a role in reducing those bottlenecks. However, no one order of government controls those policy levers. Instead, they are split among three orders of government, with higher education and labour also playing key roles.

Cooperation is absolutely vital if 1.5 million homes are to be built in Ontario in the next ten years. The inherent coordination challenges of a complex system like housing creates a need for government, industry, and labour to come together and develop a plan outlining roles and responsibilities, along with a shared accountability framework, with regular meetings and updated plans to track the progress of each actor in the housing system. The plan should recognize that different families have different needs, so targets should make a distinction between types of units and cost, rather than simply counting the number of units and their location. To track progress and hold actors accountable, appropriate, consistent, reliable, and current data must be made available and definitions must be standardized. The performance of actors should be assessed on elements they directly control, which can only be done with better data. This plan should recognize that housing is a human right, housing is a system, and more housing is necessary, but not sufficient.

Appendix A: The RoCA Benchmark – Estimating the Number of Suppressed Households and Projected Number of Family Formations

Material adapted, with permission, from the report Ontario's Need for 1.5 Million More Homes

To estimate the number of suppressed households, we use data from Census 2021. For our example, we will use Ottawa to calculate pre-existing housing shortages. First, we calculate the RoCA Benchmark expected number of households, as shown in Figure 27.

Figure 27: RoCA Benchmark Number of Households for Ottawa Census Division, 2021[49]

Age Group	2021 Census Population	RoCA Benchmark Headship Rates	2021 RoCA Benchmark Number of Households
15 to 24 years	131,170	12.0%	15,794.4
25 to 34 years	143,020	46.7%	66,845.4
35 to 44 years	135,410	54.9%	74,379.3
45 to 54 years	133,505	57.9%	77,279.8
55 to 64 years	135,260	59.3%	80,264.9
65 to 74 years	97,730	61.5%	60,129.4
75 to 84 years	52,020	61.9%	32,218.1
85 years and over	22,395	48.0%	10,757.7
TOTAL	**850,510**		**417,669.0**

We then compare this expected number of households to the number of "private dwellings occupied by usual residents" figure from Census 2021 for that Census Division. As shown in Figure 28, Ottawa had an expected number of households of 417,669, compared to 407,252 private dwellings occupied by usual residents, for an estimated housing shortage of 10,417 units.

Figure 28: Estimated Housing Shortage for Ottawa Census Division, 2021[50]

	Number of Households
2021 RoCA Benchmark Number of Households	417,669
2021 Census - Private dwellings occupied by usual residents	407,252
Difference (Suppressed Household Formation)	**10,417**

We use this difference as our estimate for the number of suppressed household formations caused by pre-existing housing shortages.

We will also use Ottawa Census Division as our example for calculating the number of net new households. We use the Ontario Ministry of Finance's 2022 population estimates for the year 2031,

[49] Authors' calculation from Census 2021 data.
[50] Authors' calculation from Census 2021 data.

which were released on June 28th, 2022. To ensure an apples-to-apples comparison and the issue of the Census undercount, we compare the 2031 population projection to the 2021 population numbers from the same Ministry of Finance release. Figure 29 shows that the estimated number of net new households between 2021 and 2031 is 86,970 for Ottawa Census Division.

Figure 29: Projected Number of Net New Households for Ottawa Census Division, 2021-31[51]

Age Group	2021 Population	2031 Population Projection	Change 2021-2031	RoCA Benchmark	Net New Households
15 to 24	136,424	158,350	21,926	12.0%	2,640
25 to 34	163,456	192,280	28,824	46.7%	13,472
35 to 44	143,831	194,403	50,572	54.9%	27,779
45 to 54	134,358	149,572	15,214	57.9%	8,807
55 to 64	139,648	128,921	-10,727	59.3%	-6,366
65 to 74	99,688	130,331	30,643	61.5%	18,853
75 to 84	52,317	83,274	30,957	61.9%	19,173
85+	21,522	32,620	11,098	48.0%	5,331
Total	**891,244**	**1,069,751**	**178,507**		**89,689**

The number of pre-existing suppressed household formations are added to the projected number of net new households to obtain an overall housing demand estimate, as shown in Figure 30.

Figure 30: Estimated Housing Shortage for Ottawa Census Division, 2021[52]

	Number of Households
Difference (Suppressed Household Formation)	10,417
Net New Households 2021-31	89,689
Estimated Housing Needs for the City of Ottawa 2021-31	**100,106**

[51] Authors' calculation from Ontario Ministry of Finance Population Projections, July 2022 release.
[52] Authors' calculation from Census 2021 data.

Appendix B: Ontario Needs 1.506 Million Homes Over Next Ten Years to Reach RoCA Benchmark Supply

Figure 31: Housing Needs by Ontario Census Division, 2022-31

Census Division	Projected Number of Family Formations (2022-31)	Existing Housing Shortage from Suppressed Household Formations	Total 2022-31 Housing Needs		Census Division	Projected Number of Family Formations (2022-31)	Existing Housing Shortage from Suppressed Household Formations	Total 2022-31 Housing Needs
Peel	143,500	133,500	277,000		Muskoka	4,400	2,300	6,700
Toronto	224,700	34,300	259,000		Perth	5,500	1,000	6,500
York	83,900	96,200	180,100		Leeds and Grenville	4,000	2,400	6,400
Ottawa	89,700	10,400	100,100		Frontenac	6,900	-600	6,300
Halton	59,300	31,100	90,400		Bruce	4,200	1,000	5,200
Durham	50,000	39,900	89,900		Renfrew	3,300	1,000	4,300
Waterloo	57,400	13,400	70,800		Stormont, Dundas and Glengarry	3,000	1,200	4,200
Simcoe	47,000	22,900	69,900		Huron	3,400	800	4,200
Hamilton	37,900	14,500	52,400		Lennox and Addington	1,800	2,200	4,000
Middlesex	38,300	1,200	39,500		Parry Sound	1,900	1,300	3,200
Niagara	28,000	11,100	39,100		Greater Sudbury / Grand Sudbury	3,800	-1,000	2,800
Essex	20,500	9,900	30,400		Lambton	2,300	400	2,700
Wellington	22,800	6,800	29,600		Chatham-Kent	1,800	600	2,400
Brant	9,400	3,900	13,300		Haliburton	1,200	500	1,700
Oxford	9,700	2,400	12,100		Kenora	900	700	1,600
Haldimand-Norfolk	7,000	4,000	11,000		Prince Edward	600	900	1,500
Dufferin	6,300	3,600	9,900		Nipissing	1,100	-100	1,000
Hastings	7,000	2,800	9,800		Manitoulin	400	100	500
Peterborough	6,500	2,800	9,300		Sudbury	100	300	400
Prescott and Russell	6,400	2,600	9,000		Algoma	1,000	-900	100
Northumberland	4,700	3,700	8,400		Rainy River	200	-200	0
Kawartha Lakes	4,900	3,400	8,300		Timiskaming	100	-500	-400
Grey	6,100	2,100	8,200		Thunder Bay	500	-1,200	-700
Elgin	6,000	2,000	8,000		Cochrane	-100	-900	-1,000
Lanark	5,600	1,700	7,300		**Total**	**1,034,900**	**471,500**	**1,506,400**

Appendix C: Municipal Housing Targets

Figure 31: Municipal Housing Targets, 2022-31

Municipality	2022-31 Housing Target
City of Toronto	285,000
City of Ottawa	151,000
City of Mississauga	120,000
City of Brampton	113,000
City of Hamilton	47,000
City of London	47,000
City of Markham	44,000
City of Vaughan	42,000
City of Kitchener	35,000
Town of Oakville	33,000
City of Burlington	29,000
City of Richmond Hill	27,000
City of Oshawa	23,000
City of Barrie	23,000
Town of Milton	21,000
City of Cambridge	19,000
City of Guelph	18,000
Town of Whitby	18,000
Town of Ajax	17,000
City of Waterloo	16,000
City of Windsor	13,000
Clarington	13,000
City of Pickering	13,000
Town of Caledon	13,000
Town of Newmarket	12,000
City of St. Catharines	11,000
City of Brantford	10,000
City of Kingston	8,000
City of Niagara Falls	8,000
Totals	**1,229,000**

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