

# INCREASING HOUSING SUPPLY



## THE PROBLEM

TREB, and many leading housing experts, believe that a key issue facing Toronto and the Greater Toronto Area (GTA) housing markets is an imbalance between housing demand and available housing supply and choice.

## THE REASON

Issues affecting housing supply and demand are complex. One of the key influences is municipal policies that have the unintended impact of artificially “locking up” housing supply, despite demand.

## THE SOLUTIONS

TREB believes that four key issues need to be addressed to allow for balance between housing supply and demand:

1. Land Transfer Taxes, which reduce mobility and discourage right-sizing, thereby reducing the number of homes for sale.
2. Regulatory obstacles that limit the creation of new housing supply and variety.
3. Red tape and delays in building and planning approvals.
4. Inadequate infrastructure.

## “MISSING MIDDLE” HOUSING

### *The Current Situation*

Housing supply issues in Toronto and the GTA markets are not simply about how much housing is available for purchase or rent; they are also about how much of the type of housing needed most is available. In this regard, the most significant challenge facing Toronto and the GTA is a dearth of mid-density, family-friendly housing, sometimes referred to as the “missing middle,” including semi-detached, row homes, clustered townhouses, and multiplexes.

Currently, in the GTA, the supply of housing is allocated as follows:



This situation means that many prospective home buyers or renters are forced to choose between living in a small high-rise apartment or face a long commute from a “greenfield” area where most affordable detached homes are.

In addition to a dearth of mid-density housing, the GTA also has high levels of households that are over-housed (i.e., living in homes that have more bedrooms than needed). These households represent a potential supply of family-sized housing for purchasers or renters.

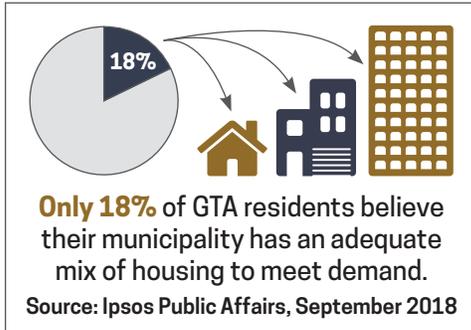
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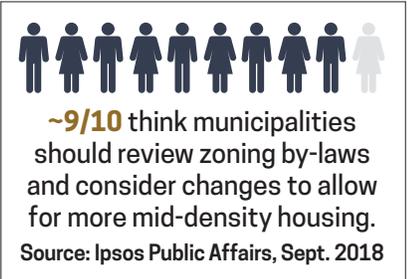
## “MISSING MIDDLE” HOUSING (CONT'D)

### Causes

#### Demand

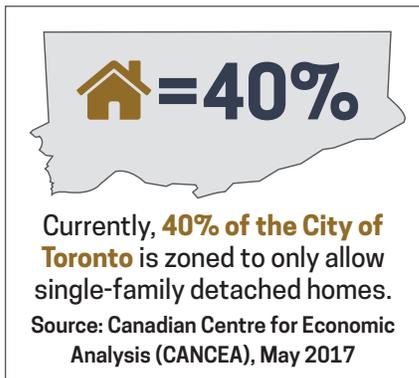


The reasons for the apparent dearth of mid-density housing are varied and complex. What is clear is that a lack of demand for this type of housing is not the cause. A recent poll conducted by Ipsos Public Affairs found that only 18% of GTA residents believe their municipality has an adequate mix of housing. The same poll found that nearly nine in ten GTA and Toronto residents agree that municipalities should review zoning by-laws and consider changes to



allow for the creation of more mid-density housing. Municipalities should prioritize mid-density housing development in close proximity to areas with transit.

#### Zoning Rules

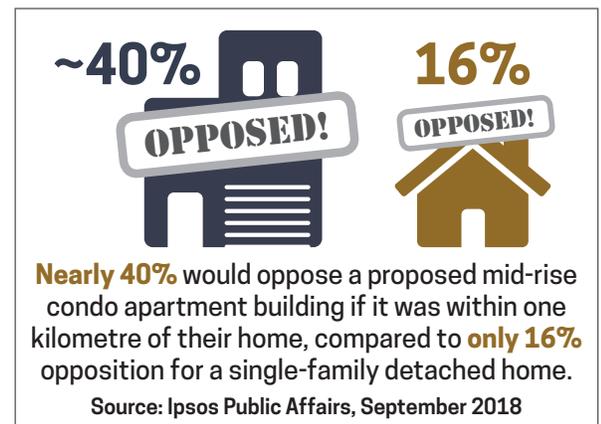


Outdated zoning rules are, at least, partly to blame. For example, currently, 40% of the entire City of Toronto is zoned to only allow single-family detached homes. With that said, there are encouraging signs that municipalities are moving to address this issue. Recently, the City of Toronto took action to adjust zoning by-laws to allow for the creation of laneway homes, which the Toronto Real Estate Board supported, as an important addition to mid-density housing supply. In addition, earlier this year, the City of Toronto’s Townhouse and Low-Rise Apartment Guidelines, which hopefully will help to increase mid-density housing supply, were approved. Nevertheless, the GTA is regulated by dozens

of different zoning by-laws, many of which are badly outdated.

#### Community Opposition

Unjustified community opposition is also partly to blame in preventing adequate supply of mid-density housing. A stigma associated with high-density development is often unfairly applied to mid-density housing proposals, even though experience shows that these projects can often be integrated into existing neighbourhoods without compromising services or character. A recent Ipsos Public Affairs poll found that nearly 40% of GTA residents say they would oppose a proposed mid-rise condo apartment building if it was within one kilometre of their home, compared to only 16% opposition for a proposed single-family detached home.



# INCREASING HOUSING SUPPLY



## “MISSING MIDDLE” HOUSING (CONT'D)

### Causes

#### Mobility

A lack of mobility or “right-sizing” also plays a role in the lack of mid-density, family-sized housing. According to the Canadian Centre for Economic Analysis, 56% of GTA households are over-housed, meaning that people are living in homes that have more bedrooms than needed. This represents a potential pool of housing for households in need of family-sized housing, if mobility can be encouraged.

One of the key factors discouraging mobility of these over-housed households is inefficient taxation, including the Toronto Land Transfer Tax, which adds substantial costs to moving, and, in turn, influences the decisions of homeowners to move or not. Anecdotally, TREB Member REALTORS® report that it is not uncommon for homeowners to choose to stay put, once they consider the transaction costs involved with moving, of which land transfer taxes are often the biggest component. The direct impact of this is that there are fewer homes put on the market for sale, and less “right-sizing,” meaning less supply and choice for home buyers.

## TREB RECOMMENDATIONS

### Recommendation #1:

#### **Review municipal zoning by-laws and consider changes to allow for mid-density development**

Municipal zoning by-laws are the key tool available to municipalities to influence the type of housing being built, and where. All municipalities should review their zoning by-laws and consider ways to make them friendlier for mid-density development, starting in neighbourhoods with access to frequent and rapid transit.

### Recommendation #2:

#### **Resist unjustified community opposition and improve communication strategies to articulate the ability of mid-density developments to be seamlessly integrated into existing neighbourhoods**

Elected representatives must take a leadership role in advancing the need for mid-density developments, and focus on communicating the ability of these developments to be integrated into existing neighbourhoods.

### Recommendation #3:

#### **Prevent any new municipal land transfer taxes in other GTA municipalities**

Currently, the City of Toronto is the only municipality in Ontario allowed to levy a municipal land transfer tax. Provincial legislation would be required to specifically allow other municipalities to do the same. Since the City of Toronto’s implementation of an MLTT, the Association of Municipalities of Ontario and several Ontario municipalities have specifically asked the provincial government for such legislation. To date, no such legislation has been introduced. Municipal councils should acknowledge the negative impacts associated with municipal land transfer taxes, especially with regard to reducing mobility and discouraging “right-sizing,” and not pursue this tax any further.

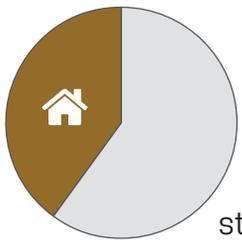
# INCREASING HOUSING SUPPLY



This is the second in a series of policy briefs by the Toronto Real Estate Board, focused on issues that contribute to limiting the supply and variety of homes available to purchase or rent in Toronto and the Greater Toronto Area.

## UNLOCKING HOUSING OPTIONS

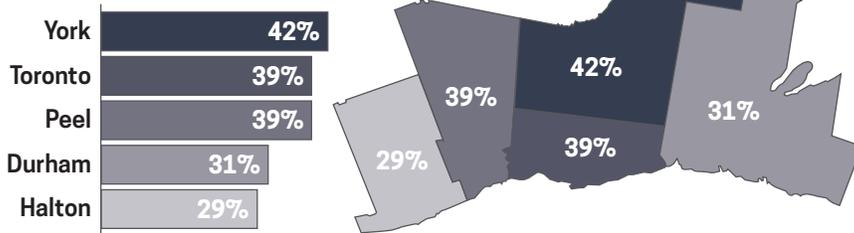
Housing issues are top of mind for Toronto and GTA municipal voters, according to a recent poll conducted by Ipsos Public Affairs.



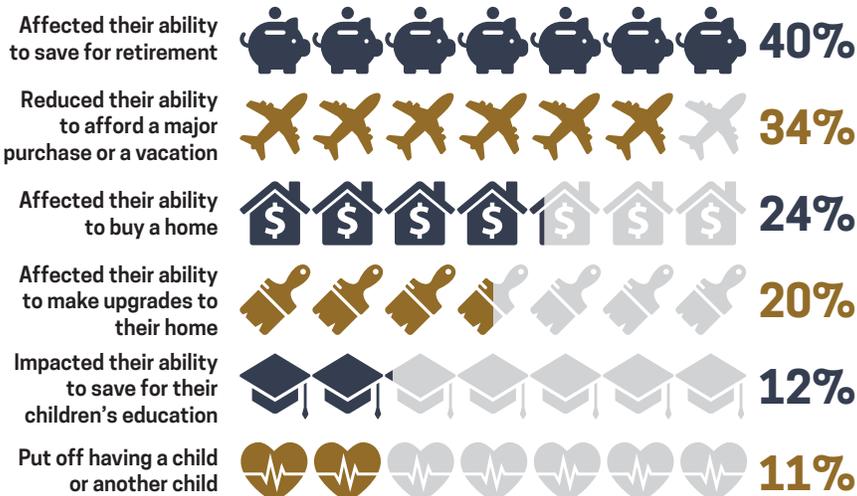
**~40%**

Almost 40 per cent say the **cost of housing** is among their top three election issues, statistically tied with **crime** and **infrastructure**.

Greater Toronto Area residents **across all areas** express that the **cost of housing** is a priority to them.



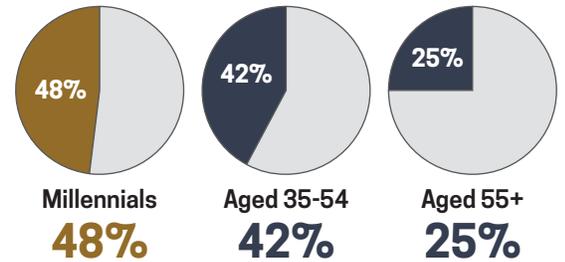
**68%** of GTA voters say the cost of housing has **impacted them directly** in some way.



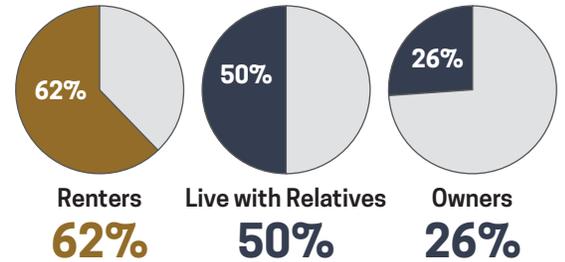
The cost of housing is an **especially important issue among certain groups** of GTA residents, including **millennials**, **renters**, and **women**.



### Millennials



### Renters



### Women

