



Rebalancing the Housing Supply Chain

Veritas' Eighth Annual Great Canadian Housing & Real Estate Conference
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Who is RESCON?

- The Residential Construction Council of Ontario (RESCON) represents the major residential builders of high-rise, mid-rise and low-rise buildings in the province.
- The focus of RESCON's work is on technical standards; labour relations; industry research and innovation; training and apprenticeship; health & safety; and regulatory reform.
- RESCON has partnered with several academic institutions to undertake housing approval studies including:
 - 2017, with Ryerson University, Centre for Urban Research and Land Development since inception: found site plan approval timeframes of 2 years (vs. 1 month in *Planning Act*).
 - 2017, with University of Toronto, Building Tall Research Group: average rezoning times for 174 building projects (even though 83% were official plan compliant), increased from 1 year in 2006 to 3.5 years in 2016 (vs. 9 months required by *Planning Act*).
 - 2018, *Streamlining the Development and Building Approvals Process in Ontario*, a report that addresses the slow approvals process in Ontario which contribute to reduced supply, higher prices and reduced affordability. The report benefited by a blue-ribbon steering group of industry experts.
 - George Brown College endowment and RESCON Chair.

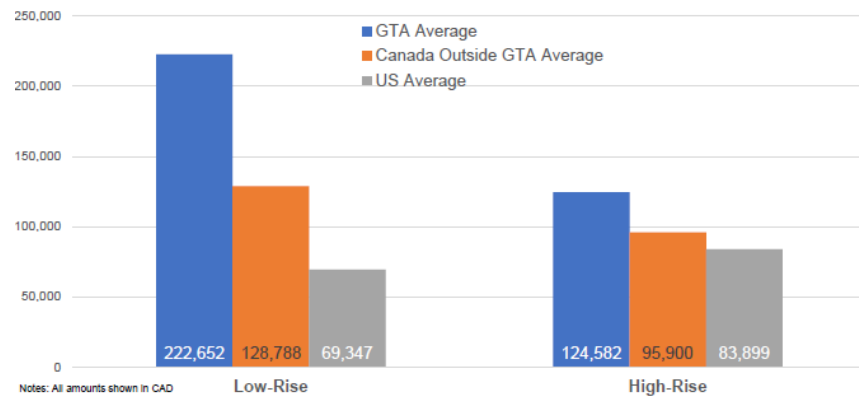
Presentation Themes

- Whether you're a Millennial or at another stage of life and struggling to get on the GTA's housing ladder, it's harder than ever to buy a new home with the constrained housing supply chain in the region. Simply put, the system is *out of balance*.
- With an estimated 128,000 new residents arriving every year, Ontario is expected to house 18.5 million people by 2041.
 - The Greater Toronto Area (GTA) is projected to be the fastest growing region of the province, with its population to reach almost 9.7 million by 2041.
 - Just this past decade there have been more than 700,000 homes built across 500 Ontario communities, employing more than 500,000 people and contributing more than \$62 billion dollars to the province's economy.
- There are several ways to addressing and improving the current environment and getting the system back into balance. This includes:
 - ✓ **Reforming and balancing the development approvals process;**
 - ✓ **Balancing the range of housing products that industry supplies (i.e. missing middle); and**
 - ✓ **Ensuring that we have the workforce that is required to get the job done by balancing the training and apprenticeship system.**

The Development Approvals Process – Financial Cost

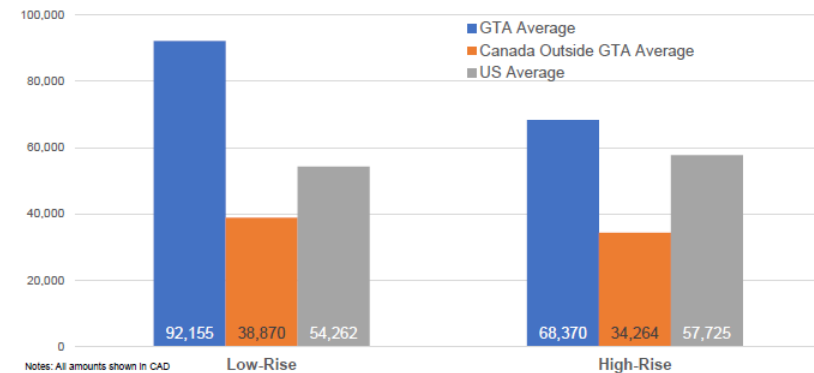
- The generational expectation for housing is dashed by the current housing realities. Homeownership is not a realistic expectation for most.
- In less than a generation, there has been a quantum shift in what is being built:
 - Today, two thirds of new housing is high-rise.
 - A decade ago, the opposite was taking place – two thirds of new housing was low-rise.
- Building and development costs have far out-stripped incomes.
 - **Average government-imposed charges on new homes are over 3-times higher on a per unit basis than they are on average in the six US metropolitan areas, and roughly 1.75-times higher than in the other Canadian urban areas.**

Average Government-Imposed Charges on New Homes
Dollars per Unit



Notes: All amounts shown in CAD
Source: Altus Group Economic Consulting

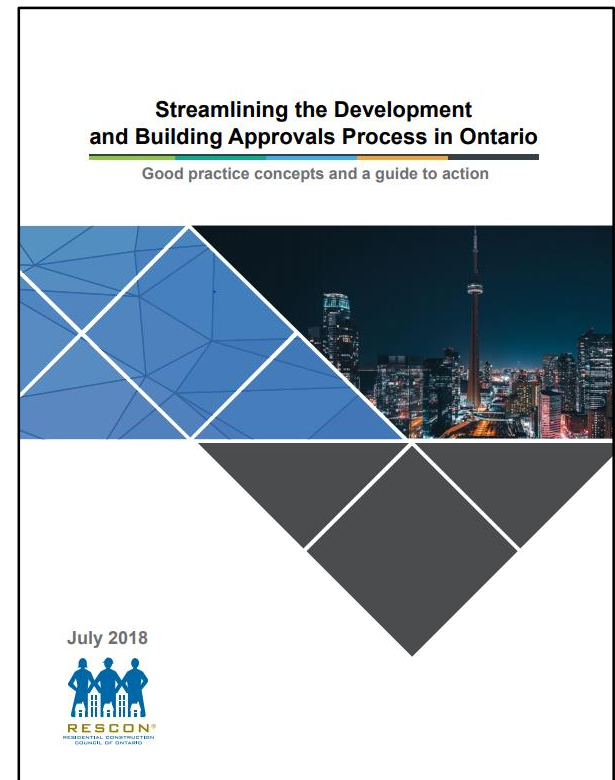
Average Developer-Incurred Government-Imposed Charges on New Homes
Dollars per Unit



Notes: All amounts shown in CAD
Source: Altus Group Economic Consulting

The Development Approvals Process – Delayed Approvals

- Ontario's development and building approval processes are much slower and less innovation friendly than many other advanced jurisdictions.
 - According to a 2013 Bousfields-Altus report, **site plan control approvals that should take one month often take more than nine months.**
 - A 2017 RESCON-Ryerson study found that this timeline is now **more than two years for residential buildings.**
- The World Bank currently ranks Toronto (representing Canada) at 63rd among 190 countries regarding development approval efficiency for routine building projects.
 - Approval of innovative building projects is slower than in many other jurisdictions.



The Development Approvals Process – Delayed Approvals Cont'd

- In a study by the University of Toronto, with RESCON participation, data collected for 174 towers in the City of Toronto showed that the time it takes for applications to receive their Official Plan and/or Zoning Bylaw Amendment approvals has increased substantially over the last decade.
 - Average rezoning approval was less than a year in 2006 but it has increased up to more than three years in 2016.
 - There are several factors that have contributed to this tremendous increase in the average approval time, including inconsistent evaluation of proposals at City Council, prescriptive regulations at both the provincial and municipal levels, and inefficiencies in the current processes.

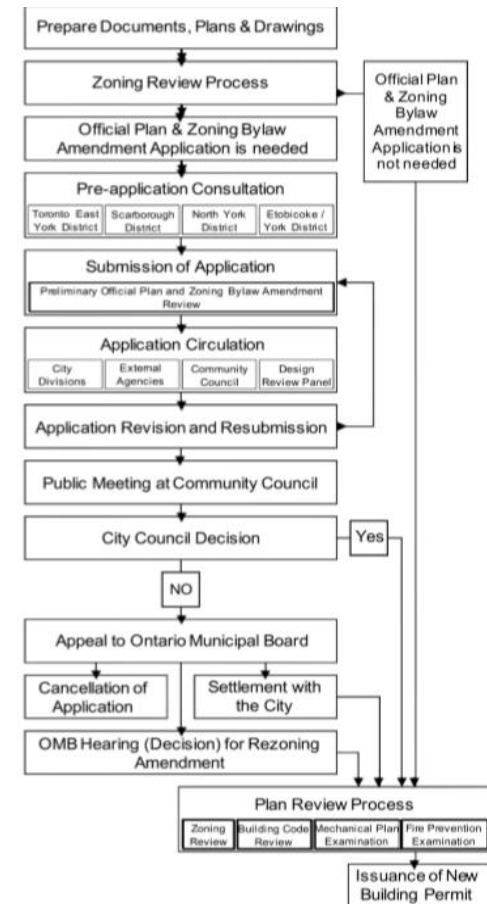


Figure 1: Steps for reviewing of new proposals in City of Toronto

The Development Approvals Process – Tokyo Case Study

- Many other jurisdictions have experienced similar issues to Ontario in terms of the need to streamline the development approvals process, off-balance the housing supply chain, and high housing costs.
- Tokyo City suffered from many of the same housing ills plaguing us currently. However, through legislative and governance streamlining policies, the City was able to drastically improve its housing situation.
- These policies included:
 - Uploading density and zoning rules to the national government;
 - Lack of rent control and fewer restrictions on height and density; and
 - Streamlining the design and off-site housing production.
- This resulted in:
 - Japan building 1.25 million new units in 2018 with Tokyo having 145,000 housing starts;
 - Home prices for both Japan and Tokyo have remained around the same level in 2018 as they were nearly a decade ago; and
 - Rent prices in Tokyo have risen only slightly from a decade before. The average rent for a two-bedroom unit in 2018 was slightly below \$1,350.



The Development Approvals Process – Legislative Opportunities in Ontario

- The Province of Ontario and the City of Toronto have recently each implemented various legislative and institutional initiatives to address the housing imbalance throughout the region.
- The Province introduced and passed *Bill 108, More Homes, More Choice Act* that address the current system's deficiencies, including updating antiquated zoning, focusing on transit orientated development, streamlining the site plan approval process, and helping foster an environment of certainty for the residential construction industry by making fees and charges predictable.
- The City of Toronto recently released its *End-to-End Review of the Development Review Process Report*, which provided an overview of the delays and issues facing the development approvals process in Toronto. Moreover, the Report provided a roadmap for improvement and transformation.
- Ontario plans to modernize building codes for quicker development by developing digital tools to support municipal e-permitting and make the building code easier to use and understand.

The Development Approvals Process – Legislative Opportunities in Ontario Cont'd



- Within these initiatives, there is great opportunity for technology such as BIM (building information modeling), GIS (geographic information system) and e-permitting, to play a role in the modernization of streamlining and balancing the development approvals process.
 - Advancing e-permitting and BIM technology in the building sector are key elements to streamlining the development approvals process in Ontario.
 - Currently, there is virtually no BIM implementation among municipal and provincial development and building approval agencies.
 - As of 2019, Canada remains the only G7 country with no-in place or announced BIM mandate.







The Development Approvals Process – Legislative Opportunities in Ontario Cont'd

End-to-End Review Issues and Objectives

Figure 1: Key Obstacles to Collaboration

 Obstacle	 Impacts on Development Review Process
Stakeholder misalignment on the purpose of the development review process.	Contributes to adversarial nature of process, creating barriers to effective communication and mutual understanding across stakeholder groups.
Split accountabilities within and across Divisions.	Key driver of conflicting/changing comments, which increase development review timelines.
Underdeveloped process-wide governance mechanisms.	Barrier to identification and quick resolution of internal/external conflicts.
Ineffective application streaming.	Suboptimal staff and process-wide resource allocation.
Highly manual, non-integrated technology and information systems.	Increases administrative burden on staff, reducing time for more value-adding work, and creates significant barrier to effective, interdivisional performance measurement.
Ineffective mechanisms to identify and accelerate priority applications.	Key priorities not accelerated and significant re-work to establish <i>ad-hoc</i> mechanisms to address priorities, which causes system-wide disruption.
Varying application quality.	Extends development review timelines by creating additional staff work and circulations.

3. Enablers: What are the drivers of success?

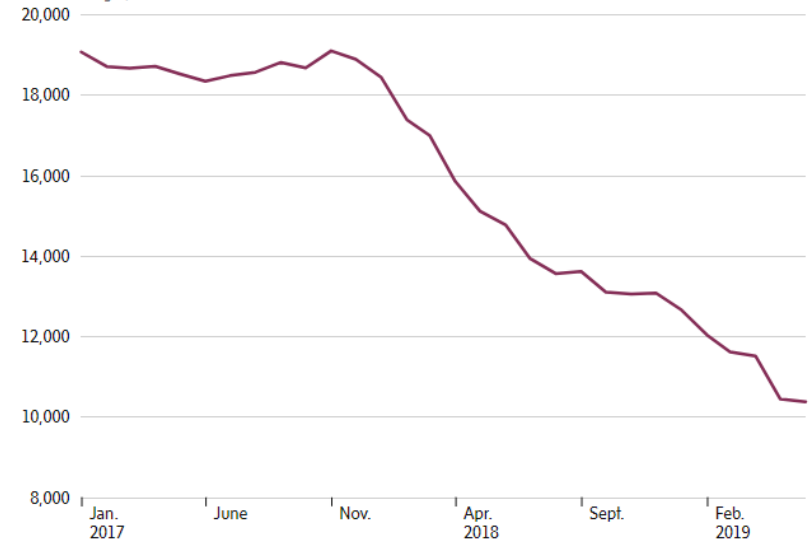
 Technology	<ul style="list-style-type: none"> — Modernized application management systems — Enhanced data & online application tracking — Innovative collaborative tools
 Project & Practice Management	<ul style="list-style-type: none"> — Dedicated project management tools — Clearly defined roles, responsibilities & SOPs — Interdivisional KPIs
 Training	<ul style="list-style-type: none"> — Interdivisional focus — Formalized ladder of experience — Collaborative staff/industry learning
 Implementation Planning & Change Mngmt.	<ul style="list-style-type: none"> — Engaged and empowered staff — Executive-level sponsorship — Regular and sustained communications

Addressing the housing products that industry supplies – “missing middle” housing

- Currently, there is a serious lack of mid-rise and low-rise housing starts - the growth plan and the Provincial Policy Statement (PPS) are unbalanced.
- Current antiquated zoning regulations and site plan approvals prevent industry from having a housing balance and from re-developing along main streets, avenues and suburban infill.
- Rezoning is necessary to:
 - Build 4-20 storey buildings i.e. “missing middle” housing;
 - Smaller, more functional units – stacked towns, quads and 6-plex’;
 - Rental units; and
 - Reduce or eliminate parking requirements.
- To succeed in providing a balanced and necessary mix of housing, it is imperative that there be:
 - Metrics, targets and accountability – hard to get thus far.
 - Simplification of the development process; and
 - Reduction on taxation of new units (Altus Report).

Low-rise houses under construction in Toronto area

Includes single, semi-detached and row houses



THE GLOBE AND MAIL, SOURCE: CMHC

DATA SHARE

Addressing the housing products that industry supplies – tall wood buildings

Innovation Hybrid and Carbon Capture

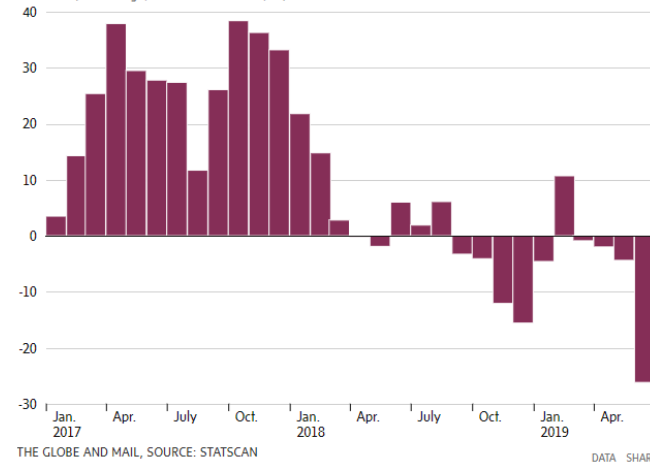


Who will build all of this?

- Given the volume of work that is taking place currently and is projected to occur, it is imperative that industry has the skilled talent to execute the work.
- Additionally, as construction technologies evolve and advance, the skills required for construction jobs are changing.
- In order to have the necessary balanced skilled workers, it is imperative that:
 - There is a rebalance of the educational system; and
 - Rebalancing of how industry trains its skilled workers.
- Rebalancing includes:
 - Incorporate training for the jobs to come, which will undergo radical transformation;
 - Provide more effective career guidance on the industry, including the creation of a “third wall” of career options; and
 - Promote a career in the trades and create placement and apprenticeship opportunities.

Change in residential building construction employment in Ontario

Year-over-year change, in thousands of employees



Current education system

University preparatory system

Fall back on technical colleges

Skilled trades: ignored

Antiquated apprenticeship system

Thank you! Questions?

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