Barriers to Housing Supply in Ontario and the Greater Toronto Area

By Steve LaFleur

Housing affordability has eroded significantly in many parts of Ontario in recent years, prompting a more thorough review of governments' role in facilitating or impeding the construction of needed homes. While recent policy initiatives signal positive shifts, formidable obstacles persist.

This essay summarizes the challenges hindering housing development in Ontario, with a specific focus on the Greater Toronto Area (GTA), including analysis of five major categories of barriers: high fees on development, onerous building requirements, ancillary and holding costs, land costs, and uncertainty.

Fees and taxes on development

Homebuilders in Ontario can face a number of fees, including application and permitting fees, development charges, parkland dedication, and community benefits charges. These fees, compounded with taxes imposed by all levels of government, significantly impact the cost of housing. In 2022, fees averaged $116,870 per low-rise unit and $79,140 per high-rise unit in the GTA (Altus Group, 2022). Variations among municipalities and the consistent upward trend of fees highlight the urgent need for further fee caps or reductions, ensuring greater feasibility for

homebuilding projects. Opportunities for reform include implementing maximums, reviewing eligible services for funding, and exploring alternative infrastructure financing models.

Building requirements

Municipal and provincial regulations significantly affect the financial viability of housing projects. Zoning bylaws, building codes, official plans, and design guidelines dictate the scale, types, and features of allowable housing. These regulations often lead to constraints on the intensity of land use, minimum lot size requirements, and additional criteria such as parking spaces. A more flexible approach to building requirements would be to align the number of units allowed "as-of-right"—that is, without zoning changes—with infrastructure capacity, relax rules on property dimensions, structures, and parking requirements, and update official plans to reflect housing demand.

Ancillary costs

Developers encounter substantial ancillary costs related to staffing and holding properties over time. Complex approval processes, involving numerous studies and submissions, escalate staffing costs. Holding costs, covering the period from project approval to construction, include staffing expenses, property taxes, loan interest, and general operating costs. A solution would be to streamline the development approvals process through a provincewide digital portal, reducing the number of requirements and shortening timelines.

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Land costs

Land acquisition stands as a significant factor in feasibility calculations, representing 10 to 20 percent of total development costs. Since urban containment policies, such as the Growth Plan for the Greater Golden Horseshoe and the Green-belt, restrict outward expansion and inflate land prices, building requirements should be reformed to reduce distortions in land markets. Relaxing urban containment policies and adopting models of controlled land releases (as practised or proposed in Oregon and the United Kingdom) could also alleviate the strain on land costs.

Uncertainty

Uncertainty associated with the approval process and potential alterations in mid-project pose a considerable deterrent to homebuilding. Public consultations, appeals to the Ontario Land Tribunal, and unpredictable decision-making processes contribute to increased costs and risks. Official plan development should be made the primary stage for community engagement, reducing the need for extensive consultations during subsequent project phases.
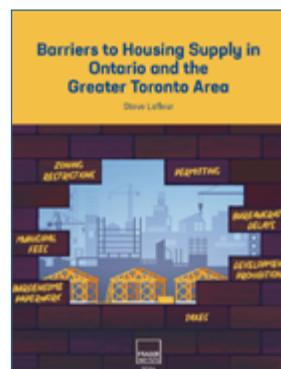
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