

Industry Perspectives: Three ways to kickstart housing plans

by Richard Lyall July 6, 2016

New residential construction has been one of the key economic engines for the Greater Toronto Area (GTA) and provincial economy for more than a decade.



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According to Premier Kathleen Wynne, it has been the biggest driving force of GDP in Ontario. Just look at the numbers, as recently released by the Canadian Home Builders' Association. The new-home building industry contributed \$30 billion in investments throughout the GTA; the region saw 44,000 housing starts; that means 200,000 jobs around the industry as well as \$11 billion in wages.

While these are impressive numbers, demand continues to exceed supply; prices continue to escalate, especially for low-rise housing. A growing number of young families and millennials are being priced out of the market.

Furthermore, many others are highly leveraged and dependent on continued low interest rates and consequently are borrowing money or cutting back on other essentials such as child care. Social housing demand continues to rise. Yet little thought, if any, is given to supply side economics and the overall impact on the economy, investment and jobs.

Where on Earth is this going?

Every aspect of residential construction is currently under review. This has cost implications that have not been subject to any form of cost-benefit analysis. Let's look at the two biggest factors involved with the proposed expanded growth plan and climate-change measures.

Somehow, the industry is expected to build more high density housing than ever and simultaneously get new homes to net-zero status. With respect to the first challenge, little has been done to facilitate a greater amount of high-density housing along main corridors and transit hubs. The time required to build a project takes 10 years on average and that trend is going the wrong way.

With respect to climate-change measures, aside from the inherent technical challenges, there is no discussion of what these will cost and how they will be paid for. We need to talk about how to deliver these changes if there is any hope of implementing them.

The Wynne government appears to be willing to take the green accolades without the heavy lifting required to get things moving. The provincial government recently announced a \$600-million investment in housing. While positive, the problem is it likely will not put a dent in the problem. The government simply does not have the means or the will to solve this problem other than to propose measures that would somehow cause the private sector to fix it through unproven measures like inclusionary zoning.

There are three things the government really needs to do in order to kickstart its plan:

streamline what is now a convoluted planning, zoning and building approvals process;

link housing and transit planning and properly measure the consequence through advanced big data analysis; and

open the doors to young people entering the skilled trades rather than perpetuate training models which have failed.

If we cannot build relatively affordable housing for millennials and the next generation, then we have a serious problem. There is a huge gap between the rise of land prices and incomes. The old personal finance rule of thumb is that the cost of a house should be no more than three times a gross household income.

According to the Globe and Mail, that would mean Torontonians at the median household income (\$76,219) ideally would own a house for \$228,657. That's not reality: Toronto's price-to-income ratio is a staggering 8.2 (compare that with 1.9 in Saint John, N.B.). Since Ontario is not creating new high-paid, high-skilled jobs, this is simply not sustainable for our economy or quality of living.

The government cannot replace the private sector in housing because it is too big. It can't throw money at the problem because it is effectively broke. Adopting inclusionary zoning, which hasn't

fixed the same problems in other jurisdictions, is just a pipe dream. Somehow thinking the solution is to magically force builders to produce social housing is simply not even plausible.

Government needs to reflect on its critical role in the process of producing housing. Food for thought: think about the housing that could be built around 25 LRT stops in Scarborough. Where is the discussion about the zoning and planning changes to make that happen?

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