



■ OREA'S PLAN TO BRING AFFORDABILITY HOME



OREA'S PRE-BUDGET LETTER SUBMISSION

January 21st, 2021

Honourable Peter Bethlenfalvy
Minister of Finance
Frost Building South
7 Queen's Park Cres., 7th Floor
Toronto, ON M7A 1Y7

Dear Minister Bethlenfalvy,

I am writing to you today in advance of the 2022 Ontario Budget on behalf of the thousands of young families in our Province who are struggling to achieve the Canadian Dream of home ownership.

Your government has been the most pro-home ownership administrations in Ontario in a generation. *The More Homes, More Choice Act, 2019* ("MHMC") introduced by Minister Clark was ground-breaking in the changes it brought forward to increase housing supply and give people more affordable choices. These changes have had a positive impact but, as you know, the housing affordability situation in Ontario has continued to get worse. However, due to years of neglect in building new supply before MHMC and increased demand, a housing affordability problem has now become an affordability crisis.

Housing supply is at historic lows, prices have increased dramatically, and families are losing hope. Future generations of young Ontarians need your leadership to reverse decades of bad policy decisions that have created this problem. Ontarians are looking for their political leaders to say yes to saving the Canadian dream of home ownership.

OREA has put together a plan to tackle Ontario's housing affordability crisis. Our plan would bring affordability home by building on the success of the MHMC, lower costs for first-time buyers, put a stop to money laundering in real estate and increase badly needed housing plan.

■ OREA'S PLAN TO BRING AFFORDABILITY HOME



END EXCLUSIONARY ZONING IN HIGH-GROWTH AREAS

Your government has shown strong leadership when it comes to zoning around transit stations. However, local zoning rules continue to hold back much needed gentle density or missing middle-housing in high-growth urban areas of the Province.

For example, it is illegal in many large urban neighborhoods to

convert a single-family home into a townhome, duplex, triplex or fourplex without a zoning by-law change, which delays projects, costs additional money, and leaves people stranded without an affordable home. These outdated zoning laws encourage NIMBY forces to drive up costs of homes or drive away affordable homes in a neighbourhood entirely.

Specifically, OREA is encouraging the Province to use the Planning Act to implement as-of-right zoning in Ontario's highest-demand urban neighbourhoods. This

change would allow the seamless and legal development of gentle density, including duplexes, triplexes, and fourplexes, next door to existing density and close to subway and transit stations without unnecessary and lengthy case-by-case approvals. By allowing for increased density, the government would create new homes that would be prime choices for first-time home buyers and empty nesters, creating more opportunity for the development of missing-middle housing.



MORE CARROTS TO REDUCE ZONING APPROVAL TIMES

In addition to changes under the Planning Act, the Province should also consider creating incentives through funding mechanisms (i.e., Zoning Challenge Fund) to support timely zoning updates and the reduction of zoning approval times in urban, suburban, and rural Ontario

Recent work by the Fraser Institute has illustrated the gap between demand and supply in cities across Canada, including the GTA. The Institute's work found that long and uncertain approval timelines for building permits, as well as costly fees and local opposition to new homes slow the growth of housing stock. The result is fewer new homes, and a growing pool of buyers, leading to rising prices – and increasingly inaccessible homes.

By financially incentivizing municipalities to update zoning, the Province could significantly reduce approval timelines for new projects.



SURPLUS GOVERNMENT LAND

One of the key challenges facing housing development and affordability is the scarcity of developable land. Government lands are often serviced, in highly desirable areas and ready for development.

The province should continue to work with municipalities and the federal government to expedite the use of surplus lands and buildings for housing development. Municipal zoning orders could be used, where logical, to increase the density of future projects and accelerate their timelines.



THE CONVERSION OF COMMERCIAL PROPERTIES INTO RESIDENTIAL UNITS

OREA has done extensive work on the importance of the changing retail landscape as a result of the COVID-19 pandemic. As written about in our whitepaper [Small Towns, Big Opportunities](#), Ontarians have used the last two years to embrace e-commerce and online retailers like Amazon at an unprecedented rate, leaving the future of traditional shopping malls and retail strip plazas in a state of uncertainty.

These properties are often located at the heart of rural, suburban and northern communities, are typically already serviced by infrastructure, have larger footprints due to parking spaces, and have existing interconnectivity with transit. In many cases, they are perfect locations for residential properties and mixed-use developments.

If municipalities across Ontario are going to begin to face projected population demands, fast-tracking property conversions and re-zoning can help developers accommodate the new demand, create new housing rapidly and avoid letting existing buildings deteriorate in the face of tenant shortages. The province should review the steps needed for property conversion to mixed-residential with an eye to eliminating barriers and accelerating the process. Fast-tracking this process will also help governments convert properties into affordable housing, should they wish to continue that trend.

LEAN APPROVALS TASKFORCE

The development approval process in Ontario can take years to complete adding significant delays and costs to housing projects.

To address these issues, the Province should create a taskforce to conduct a review of approval processes. The taskforce could explore ways to hold approval authorities accountable on meeting specific timelines and to respond within set time frames that meet market demands.

The goal of the taskforce should be to map existing processes and use lean operating principles to eliminate waste and other steps that do not add value to community or end user. In addition, the taskforce should look to establish metrics ensure appropriate staffing; promote inter-agency coordination; and coordination and cooperation between the Municipality and Conservation Authorities.

LOWER DEVELOPMENT CHARGES FOR INFILL PROJECTS

Ontario's existing legislative framework leads to financial incentives for inefficient development. Inefficient development (such as low-density development or development that is distant from service networks) is priced at a discount, while efficient development (such as smaller lots or accessible locations) suffers from inflated prices.

When development charges are based on average costs, rather than marginal costs, properties which incur lower-than-average costs (such as an infill development project) end up paying more in development charges than they should.

The province should encourage the reduction of development charges for infill projects to help municipalities address building inefficiencies. This infill development could include updates to zoning to allow for more gentle density options for families like townhomes, duplexes, and triplexes.





REDUCE MINIMUM PARKING REQUIREMENTS

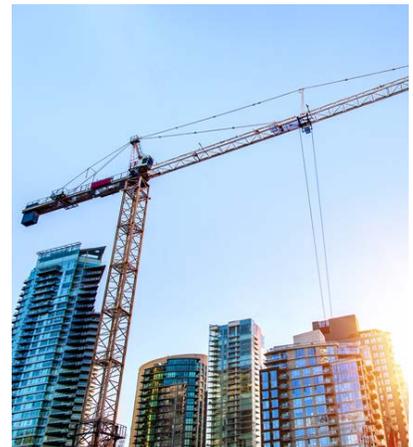
Minimum parking requirements add tens of thousands of dollars to construction costs, meaning that in some metropolitan areas, the combination of minimum lot sizes and minimum parking requirements both reduce the number of homes that can be built, while also driving up the costs of development.

In areas that are supported by transit, many homeowners do not need cars for transportation. With that in mind, parking ratios especially in transit facilitated areas should be reviewed and reduced by the Province.

ENCOURAGE MORE INNOVATION IN CONSTRUCTION DESIGN

To help solve our housing affordability crisis, Ontario can learn from new technologies or innovations happening in other jurisdictions. Better collaboration and integration for design and construction (such as allowing larger wood storey buildings) as well as the substitution of key raw resources have shown promising results in reducing the cost of housing construction and improving housing affordability.

To that end, the province should establish a building innovation fund to support clean and efficient development, and to encourage new construction methods that reduce the cost and improve the efficiency of housing builds (such as low-embodied-carbon mass timber and ultra-efficient building components like heat and energy recovery ventilators).



EMBRACE SHARED-OWNERSHIP HOUSING MODELS



Different rent-to-own models have become popular in recent years, whether it is co-paying in exchange for an ownership percentage, allowing the option of purchase after a set rental period, or converting a portion of monthly rent payments to equity ownership for the tenant.

However, legislation like Land Transfer Tax (LTT) Act and the Residential Tenancies Act (RTA) do not accommodate these unique arrangements. These Acts, respectively, require the full amount of the LTT to be paid up front even if a tenant is paying as little as 2.5% equity up front in a co-ownership model and do not contemplate rent-to-own arrangements where a renting tenant can also be an owner, or vice versa.

The province should amend these acts to accommodate and allow for rent-to-own models in Ontario that would make home ownership more affordable for all and encourage new investments in supply.

LOWER COSTS FOR FIRST-TIME BUYERS



Young millennial buyers are struggling the most in this current market. They need help right now – and they can't afford to wait.

REALTORS® are asking the Province to give them a break by increasing the first-time home buyer land transfer tax rebate from \$4,000 to \$8,000.

Land transfer tax (LTT) is a significant closing cost, especially for first time buyers. Home buyers are paying \$13,000 in LTT on average priced Ontario home. First-time home buyer (FTHB) rebate only covers \$4,000. Young families are paying thousands in taxes. The LTT must be paid out of pocket and can't be rolled into mortgage.



STOP MONEY LAUNDERING THROUGH ONTARIO REAL ESTATE

Ontario REALTORS® do not want to see a single dollar of dirty money come into the province. Money laundering supports organized crime and pushes home ownership further away for law-abiding Ontarians. Currently, real estate brokers, REALTORS®, developers and notaries all have requirements under the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) if they come across a suspicious transaction. Mortgage brokers, private lenders, and lawyers do not share the same requirements, which allows criminals to bypass going through the official processes and therefore exploit this loophole.

To combat this problem, the creation of a Provincial public beneficial ownership registry would require purchasers to identify themselves to land title authorities, ensuring criminals who are laundering money through real estate can no longer remain anonymous and make it harder for illicit funds to enter our province.

REJECT ADDITIONAL RED TAPE ON HOME SALES

The Federal Liberal Party has proposed to ban blind bidding in real estate transactions using the criminal code. This change would take away the property rights of Ontario's 3.5 million homeowners to sell how they home how they want. In addition, it would add more unnecessary red tape on the home selling process that will only restrict the number of homes on the market even more.

Ontario has a housing affordability crisis because of unnecessary government rules and red tape. We need less red tape, not more.

Home auctions are the norm in Australia and New Zealand. Down Under, everybody crowds onto a lawn with a live auctioneer, or online, and the bidding begins. Far from making homes more affordable, many people there believe auctions drive prices higher.



Auctions are perfectly legal in Ontario, but home sellers and buyers typically don't choose them. Which is why some proponents don't just want to make auctions legal, but to outlaw selling homes any other way.

Ontario REALTORS® have successfully advocated with Ontario to allow home sellers and buyers to share all of the contents of their offer on a home with other buyers — provided all parties CHOOSE to opt in.

But OREA believes that when it comes to selling your home — your most valuable asset and what most of us will depend on for our retirement — homeowners should be in the driver's seat on how that home is sold.

Ontario has one of the most well-regulated real estate markets in the world. Where we can improve is punishing those who break the rules and ensuring they are kicked out of the business.

SAY NO TO MUNICIPAL LAND TRANSFER TAXES

In the last year, several municipalities (i.e., Mississauga, Sarnia, and North Bay) have considered motions calling on the Province to give them the authority to charge a second municipal land transfer tax (MLTT).



This new tax would add \$13,000 in taxes to the average priced Ontario home. Ontario home buyers can't afford new taxes. OREA strongly encourages the Province to say no to municipalities who are asking for additional tax powers from Queen's Park.



NEXT STEPS

As you prepare for the 2022 Ontario Budget, we are encouraging you to be bold in working to solve Ontario's housing affordability crisis.

Led by Minister Steve Clark and your Ministry, your government has shown itself to be the most pro-home ownership provincial administration in a generation. So let's keep going, push down on the pedal and keep the dream of home ownership alive for middle-class Ontario families.

We look forward to continuing to work with your government on building an accessible and affordable housing market, so the dream and goal of home ownership is attainable for working and middle-class families.

Sincerely,

Tim Hudak
OREA CEO



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