

RE- THINKING THE YELLOW- BELT

A proposal to increase
Toronto's housing availability
and affordability

PREPARED BY HOUSING MATTERS



Housing Matters

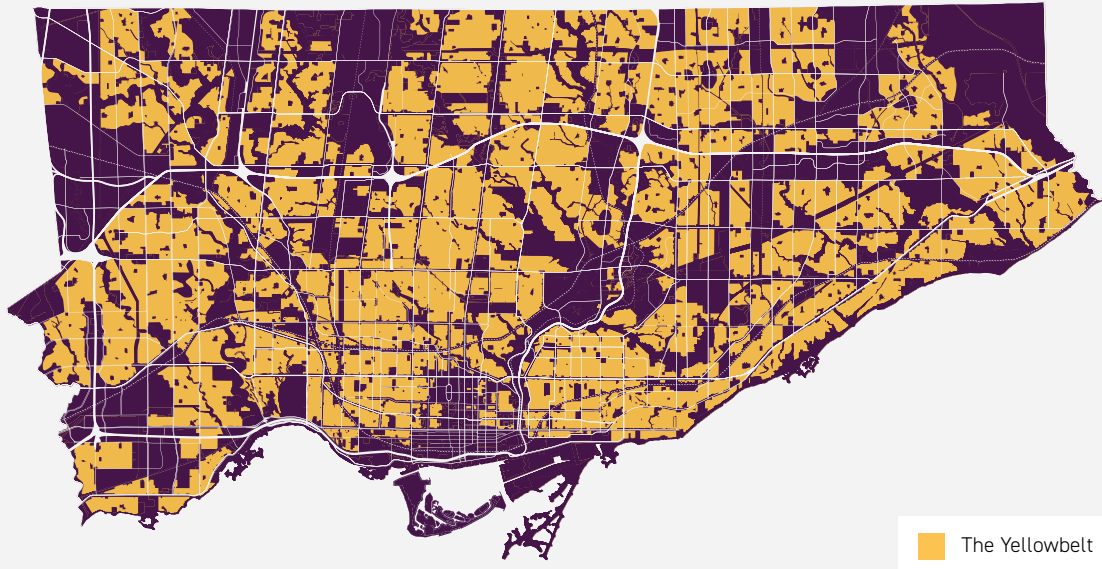


ABOUT HOUSING MATTERS

There is a housing availability and affordability crisis that is pricing many young people and middle-class families out of Toronto. Housing Matters is a coalition of Torontonians who advocate for increased housing supply to address this crisis.

Housing Matters believes that this crisis has a straightforward cause: not enough housing is being built. If we want more people to have housing in Toronto, we're going to need to build more housing.

Housing Matters is a volunteer-run not-for-profit corporation.



The Yellowbelt, as covered in this report, refers to land in Toronto that is designated as 'Neighbourhoods' in the City of Toronto's Official Plan Land Use Map.

This term, which was coined by the local planner and housing advocate Gil Meslin, highlights the constraining nature of the 'Neighbourhoods' land use designation, with a nod to the better-known Greenbelt (1.8 million acres of protected farmland and natural heritage in the GTHA). Whereas the Greenbelt is intended to curb urban and suburban sprawl, the Yellowbelt is intended in effect to curb any material intensification within established neighbourhoods by requiring that any new development "reflect and reinforce the existing physical character" of the area.

The Yellowbelt accounts for nearly 50% of Toronto's landmass.

There are several residential zones as outlined in Toronto's Zoning By-Law. The largest of these is the Residential Detached (RD) zone, which covers approximately two-thirds of the Yellowbelt. Within the RD zone, only detached houses are permitted.

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Executive Summary



Toronto housing prices have increased by 4.8% per year between 2000 and 2019. That has translated to a total price increase of 145% over 19 years. Housing prices have risen significantly faster than both the rates of inflation and income growth.

Despite numerous attempts by the government to curb demand—by increased stress tests, taxes and regulations limiting foreign buyers, and other limits to borrowing, lending, and speculating—Toronto housing prices continue to increase.

During this same time, the population of Toronto increased by over 400,000 people. However, 39% of the landmass in Toronto has simultaneously seen a decline in population. How is this possible? We suggest it is because of Toronto's outdated land use rules, informed by its Official Plan, which require new developments in nearly half of the city to "reflect and reinforce the existing physical character" of their neighbourhood.

As this area is coloured yellow in the land use planning maps, it has come to be known as the Yellowbelt. Of the Yellowbelt, two-thirds is zoned specifically for detached homes. That works out to 32% of the entire landmass of Toronto—including parks, rivers, and industrial areas—being zoned exclusively for detached homes.

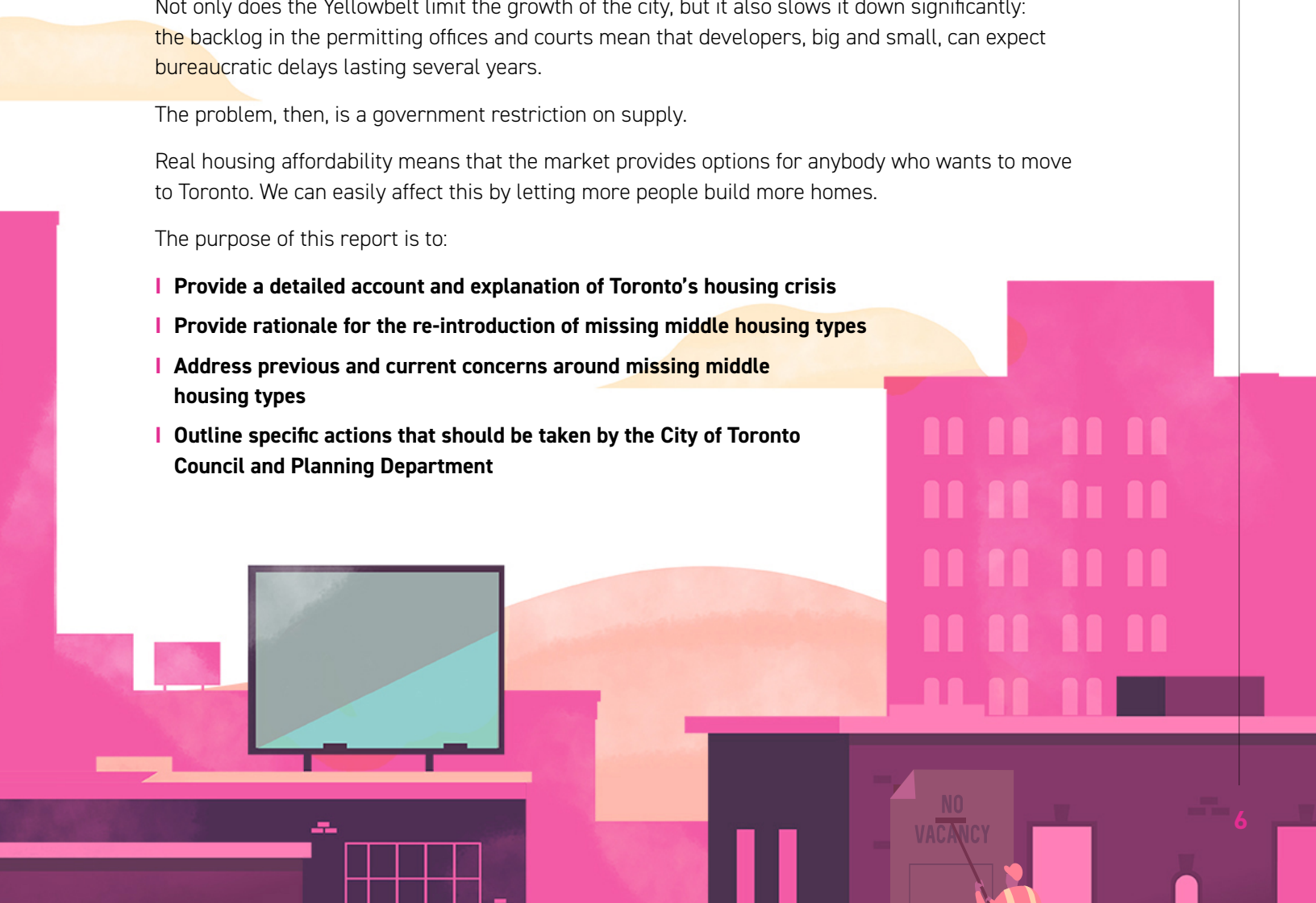
Not only does the Yellowbelt limit the growth of the city, but it also slows it down significantly: the backlog in the permitting offices and courts mean that developers, big and small, can expect bureaucratic delays lasting several years.

The problem, then, is a government restriction on supply.

Real housing affordability means that the market provides options for anybody who wants to move to Toronto. We can easily affect this by letting more people build more homes.

The purpose of this report is to:

- **Provide a detailed account and explanation of Toronto's housing crisis**
- **Provide rationale for the re-introduction of missing middle housing types**
- **Address previous and current concerns around missing middle housing types**
- **Outline specific actions that should be taken by the City of Toronto Council and Planning Department**





RECOMMENDED ACTIONS

In order to unlock the Yellowbelt and allow for new housing, the City of Toronto must update its land use rules and approvals process. This will create a streamlined, straightforward, and affordable planning approvals process that emphasizes predictability of costs and timing. The following actions are recommended as next steps:

ACTION 1 Update the Official Plan	<ul style="list-style-type: none"> Unlock the Yellowbelt by removing language around the need to respect and reinforce existing physical character within Neighbourhoods. Shrink the Yellowbelt by redesignating some of its land along major arterials and surrounding transit nodes from Neighbourhood to Mixed Use.
ACTION 2 Update the Zoning By-Law	<ul style="list-style-type: none"> Consolidate all non-RA residential zones (R, RD, RS, RT, and RM) into R. Rezone all RA-zoned land to CR.
ACTION 3 Implement a Monitoring and Evaluation Framework	<ul style="list-style-type: none"> Monitor and evaluate the number of missing middle development applications that require major and minor variances. Compile list, address those in subsequent ZBL update.



KEY FACTS & FIGURES

2.7M
10% →

As of the 2016 Census, the City of Toronto has a population of 2.73 million people, up from 2.48 million in 2001.

| That's an increase of about 10% in 15 years.

3.2M

The population of the GTA **excluding the population of Toronto** was 3.2 million as of 2016. This is up from 2.2 million in 2001.



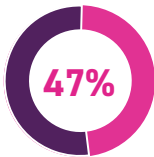
56% of Toronto homes were sold in a bidding war in 2016



The amount of purpose-built rental dwellings have remained roughly constant over the last 18 years, while condo rentals have skyrocketed.

| From 2007 to 2016, **the supply of purpose-built condos in the entire GTA increased by 0.8%.**

| Meanwhile, the number of condos put up for rent increased by **21%.**



The Yellowbelt covers 47% of all the land in Toronto. What's more is that **two-thirds** of the Yellowbelt is zoned exclusively for detached homes.

| That's **32%** of the city that is zoned exclusively for detached homes. This is a larger area than the Old City of Toronto, York, and East York Burroughs combined.



Despite the 4.5% growth in population overall, **39% of the Census Tracts in the city have decreased in population since 2011.**

| Only **25%** of Toronto's Census Tracts saw an increase in population of at least 4.5%.

| The total number of people moving into that 25% of the city from 2011 to 2016? **131,230.**



Housing quality and prices have been rising, while availability and affordability have been falling.

- Statistics Canada reports that 19.1% of the residents of the City of Toronto have a “core housing need” not being met—the highest rate in Canada.**
- However, housing quality has been increasing: 12.1% of Torontonians live in unsuitable housing in 2016, down from 15.7% in 2006.**

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Glossary



Affordability	The general ratio of price to incomes.
Affordable housing	A specific policy of housing being offered at below-market rates.
Availability	The quantity of homes for sale or rent at a given point in time.
Building code	Regulations concerning building construction materials and designs with concern for health, safety, accessibility, etc.
Condominium	A privately-owned dwelling unit within a larger building, with shared amenities.
Demand	The quantities consumers are willing and able to buy at given prices.
Density	The number of people living within a defined area.
Density bonusing	The practice of allowing denser-than-permitted buildings in exchange for cash or other benefits to the municipality.
Detached home	A standalone building initially constructed as one dwelling unit.
Dwelling unit	Living accommodations that include both a private kitchen and bathroom.
Elasticity (of demand or supply)	The percent change in quantity supplied or demanded after a one percent change in price.
Household	People living within the same private dwelling.
Intervention	A government regulation, tax, subsidy, or prohibition that results in different patterns of market exchange.
Land use planning	Interventions limiting the height, density, and general usage of private property.
Market	Intervention-free exchange of private property.
Neighbourhoods	A land use planning designation in Toronto, for residential areas where new construction must "reflect and reinforce the physical character" of existing buildings.
Primary rental	A building with multiple dwelling units built for the primary purpose of being rented out. Also called purpose-built rental apartments.
Rent control	Interventions into maximum prices that can be charged for rent.
Rent-seeking	The phenomenon of lobbying government for interventions that either directly or indirectly benefit the lobbyist.
Secondary rental	Dwelling units available for rent that are not part of the primary rental market.
Supply	The quantities producers are willing and able to sell at given prices.
Vacancy	A unit that is unoccupied and available for rent or sale.
Yellowbelt	Land use designated as Neighbourhoods, as coloured yellow in Toronto's land use maps.
Zoning	The practice of dividing a city into different zones with shared characteristics, like residential, commercial, and mixed use.



Introduction

The phenomenon of rapidly rising housing prices has become a concern. In recent years, there have been numerous global housing price indices, as well as countless more local reports, studies, and opinion pieces, and blog posts that have been increasingly feverish about the state of the housing market in major metropolises around the world.

There have been several competing explanations as to why housing prices have been increasing so rapidly in so many places. Most of the explanations can be sorted into two broad categories: “demand side,” and “supply side.”

The demand side arguments are likely to [place the blame](#)¹ on policies and realities that make it easier to buy or rent (including short-term rentals, like AirBnB). This includes tax and regulatory incentives, such as low interest rates; as well as the increase of foreign buyers, speculators, greedy developers, investor-buyers, house flippers, and more. The solutions proposed by advocates of this view include taxes on foreign buyers, speculators, and short-term renters; as well as subsidies to help low-income groups to finance their own purchases.

On the other hand, the supply sideers believe that there is an increasing authentic demand to live in big cities, and the largest impediment to lower prices is the existence of [overly-restrictive land use rules](#)² that severely limit new housing construction. This includes zoning, minimum parking requirements, minimum lot requirements, maximum height limits, and so on. Supply side solutions to these problems, then, include liberalizing land use rules to allow more market-rate housing to be built.

Indeed, while supply side arguments are generally thought of as “right wing” in other contexts, in housing policy debates they have been rebranded as a broad political coalition known by the acronym “YIMBY”—yes in my backyard. Cities as diverse as New York, San Francisco, Vancouver, and London have become hubs of major YIMBY activism.

This paper provides a comprehensive analysis of residential land use planning rules in the city of Toronto. In particular, its focus is the so-called Yellowbelt, the region of the city designated specifically for preserving the “physical character” of low-rise (4-storey and below) neighbourhoods.

The purpose of this paper is to synthesize and advance all existing research on the Yellowbelt of which there has recently been a flurry. Starting with [Gil Meslin's](#)³ coinage of the term in 2016, there have been dozens of academic studies, book chapters, newspaper editorials, op-ed articles, blog posts, and of course tweets that mention, analyze, and otherwise opine on the Yellowbelt. Many of these analyses have been limited in scope. Here we utilize and synthesize all the best research to date on the topic, while adding our own original data and interpretations as well.

1 Been, Vicki, Ingrid Gould Ellen, and Katherine O'Regan. “Supply skepticism: Housing supply and affordability,” *Housing Policy Debate* 29, no. 1 (2019): 25-40. https://www.law.nyu.edu/sites/default/files/Been%20Ellen%20O%27Regan%20supply_affordability_Oct%202026%20revision.pdf

2 McArdle, Megan. “The Rent Really Is Too Damn High.” *The Atlantic*. 19 March, 2012. <https://www.theatlantic.com/business/archive/2012/03/the-rent-really-is-too-damn-high/254718/>

3 Gil Meslin (@g_meslin). “@AlexColangelo @Urban_Toronto The Yellowbelt.” October 14, 2016. 5:33 pm. Tweet. https://twitter.com/g_meslin/status/787043620406890496



This report draws on research from a wide variety of sources, including newspaper and magazine articles, academic books and articles, as well as original analysis. All footnotes are to source material. Despite the diversity of sources, the main mode of analysis utilized here are the tools of economics. Specifically, the method we use to analyze social outcomes is methodological individualism, whereby we assume all decisions are made by individual people. Furthermore, we also assume that all individuals (be they homeowners, politicians, renters, etc.) are acting neither benevolently nor maliciously; rather, they are simply seeking to optimize their personal well-being, broadly construed. Finally, we assume that scarcity exists—not all wants can be satisfied at the same time.

In the interest of readability and accessibility to a broad audience, this report does not carry out any sophisticated mathematical analysis or modeling of the behaviours and assumptions described above. Instead, this report relies largely on verbal arguments made from first principles, augmented with statistics (current as of July 2019) as well as history.

The report will proceed as follows. Section I describes the current context of the market for housing in Toronto, and determines that the decreasing of affordability is driven by a lack of availability, which in turn is driven by restrictive land use policies. Section II explores the history, economics, and politics of urban planning in general, and defines and maps Toronto's Yellowbelt in particular. Section III looks at the issues surrounding "gentle density" and "missing middle" housing in a Toronto context as a possible solution for the problem of availability. Section IV concludes the analysis, and Section V provides detailed policy proposals to address the issues.

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August, 2019



I. The Current Context

Toronto faces a growing issue of housing availability and affordability. Housing is becoming less available as our population increases, which contributes to higher prices making it less affordable. These issues have been getting worse over time.

WHAT IS AVAILABILITY?

Rental housing availability is defined as when the existing tenant has given, or has received, notice to move, and a new tenant has not signed a lease; or the unit is physically unoccupied and available for immediate rental.

A related issue is vacancy. A unit is vacant if it unoccupied and available for sale or rent.

How serious is the availability issue? Let's begin with the rental market. In the city of Toronto, the condo rental vacancy rate is 0.7%—a 17 year low⁴. The CMHC's [Rental Market Report](#)⁵ for the city of Toronto suggests that the vacancy rate for purpose-built rentals in the City of Toronto was 1.1% in October 2018, down from 1.6% in October 2015⁶. Vacancy rates for rental condominiums (secondary-market rentals) are also at 0.7%, down from 1.8% in October 2015.

For comparison, [rental vacancy](#)⁷ in the Houston area is about 8.8%. Comparing with other Canadian metropolitan areas, the 2016 vacancy rates for Calgary, Montreal, and Vancouver were 7.0%, 3.9%, and 0.7%, respectively.

Using 2016 Census data, the [Canadian Rental Housing Index](#)⁸ (RHI), an astonishing 19% of Toronto households are living in overcrowded conditions—only Mississauga and Brampton, at 21% and 20% respectively, have higher overcrowding rates. Overcrowding is a symptom of lack of availability⁹.

In the entire GTA, the total number of rental units has only increased by 15% from 2007 to 2016. This was led almost entirely by condos repurposed for renting. In fact, purpose-built rental apartments only grew a total of 0.8% from 2007 to 2016.

4 Toronto Real Estate Board. "Rental Market Report: First Quarter 2019." 2 April, 2019, http://www.trebhome.com/files/market-stats/rental-reports/rental_report_Q1-2019.pdf

5 Canada Mortgage and Housing Corporation. Rental Market Report: Greater Toronto Area. Canada Mortgage and Housing Corporation, 2018, eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/cmhc/pubsandreports/esub/_all_esub_pdfs/64459_2017_a01.pdf.

6 Canada Mortgage and Housing Corporation. Rental Market Report: Greater Toronto Area. Canada Mortgage and Housing Corporation, 2016.

7 Wharton, David. "Rental Vacancies Down, But Houston Rate Still Running High." DSNews, 28 Mar. 2018, dsnews.com/daily-dose/03-07-2018/rental-vacancies-houston-rate-still-running-high.

8 "Affordability," Canadian Rental Housing Index, rentalhousingindex.ca/en/#affordability_csd.

9 It is interesting to note that the vacancy rate for commercial offices is at 2.6% in the downtown core of Toronto. Although it is a record low, this rate is still nearly eight times higher than the rate for residential spaces. For office space outside of the downtown core, the vacancy rate is higher still, at over 10%. This discrepancy between office rental vacancy and residential rental vacancy has not been studied. <http://www.cbre.ca/EN/mediacentre/Pages/Thriving-Tech-and-Ecommerce-Sectors-Drive-Canadian-Commercial-Real-Estate-Records-in-the-First-Quarter.aspx>

**Figure 1**

CHANGE IN RENTAL SUPPLY IN GTA				
	PURPOSE-BUILT RENTAL	RENTAL CONDOS	OTHER SECONDARY RENTALS	TOTAL
Supply 2007	314,519	40,735	134,578	489,832
Supply 2016	316,913	116,685	132,688	566,286
Change in Supply	2,394 (0.8%)	75,950 (186%)	-1,890 (-1.4%)	76,454 (15.6%)

Source: Getting to 8,000: Building a healthier rental market for the Toronto Area. Ryerson City Building Institute. October 2017.

Notice that, from the above chart, the supply of “other secondary rentals”—basically, anything that isn’t a condo or purpose-built rental, so mostly detached homes—actually decreased in this timeframe. Why? We speculate that homeowners who would have previously rented out extra bedrooms have instead chosen to keep their nests empty, in order to renovate and sell at a higher price.

Even though the supply of purpose-built rentals has been stagnant, it’s not for lack of trying on the part of the developers. Curiously, while approximately 5,000 purpose-built rental units were under construction every quarter from Q4-2015 to Q4-2017, the City of Toronto estimates that the number of proposals for purpose-built rentals has been increasing rapidly during this time: from 8,302 units in Q4-2015 to 27,569 units in Q4-2017. Of note, the City of Toronto’s report suggests that this approximation may be tainted by the fact that “some projects [may] eventually register as [condominiums].”

In other words, there is plenty of desire to build more primary rental housing units. However, there seems to be a bottleneck in the process.

For those looking to buy, the numbers are not much better. Zolo [reports](#)¹⁰ a home on the market in Toronto spends an average of 17 days on the market as of June 2019. (In September 2018, this was 19 days.) For a home in the \$1 million to \$2.5 million range, that average drops to 16. A home that was in the \$2.5 million to \$3 million range in 2017 spent on average 26 days on the market; in 2018, it fell to 18.

Back in Houston, a home for sale spends on average 57 [days on the market](#)¹¹. And in New York City, Warburg Realty [reports](#)¹² that a home costing between \$1 million and \$3 million spends an average of 101 days on the market.

10 Zolo. Toronto Real Estate Trends: Housing Market Report for July 2019. <https://www.zolo.ca/toronto-real-estate/trends>

11 HRIS, Inc. “November 2018 Market Report.” Houston Association of REALTORS, www.har.com/content/mls/?m=11&y=18.

12 “Q3 2018 Market Report.” Warburg Realty, www.warburgrealty.com/market-report/q3_2018_market-report/.



According to a comprehensive research report released by the CMHC on the drivers of housing prices, titled "[Examining Escalating Housing Prices in Large Canadian Metropolitan Centres](#)¹³", 56% of surveyed Torontonians who bought a home in the last year participated in a bidding war. (For comparison, only 17% of Montrealers participated in a bidding war.) It shouldn't be a surprise that in such a tight market, those looking for a place to [rent may have to bid](#)¹⁴ above the asking rate, too.

And while no formal statistics exist, [news reports](#)¹⁵ indicate that sales offices for pre-construction condos see people lining up to buy on the first day, and can sell out completely in one or two days.

WHAT IS AFFORDABILITY?

Perhaps the most objective definition of affordability is any price that people are paying is affordable, and if the price is unaffordable, then fewer people will pay. For example, if the price of the median home in Toronto jumped to \$1 billion, then the number of people who would be willing and able to pay that price will be much smaller than it is now—and as a result, fewer homes will be sold, the average days on the market for a home will skyrocket, and fewer people will move in to the city.

However, most agencies and researchers define housing affordability in terms of its cost (whether rent or mortgage payments) consuming a reasonable proportion of a household's income. Since what is and isn't "reasonable" is highly arbitrary, there are many ways of defining affordability. But rising housing prices are typically indicative of a city that is growing in population and desirability, which makes these subjective measures problematic. If more people are willing to pay a higher price to live somewhere because of the rising attractiveness of a city, like higher paying jobs, more amenable environment to raising a family, etc. (let alone more favorable terms for loans), then it is not so easy to define affordability as a high proportion of income.

As an analogy, consider the fact that when it comes to communication devices, most Millennials in Canada pay hundreds of dollars for a smartphone, when a simpler cellphone or landline would be much more "affordable", in terms of consuming a "reasonable" proportion of income. Therefore, it's not clear that just because prices are increasing relative to incomes, that this is necessarily a bad thing.

13 Canada Mortgage and Housing Corporation. [Examining Escalating House Prices in Large Canadian Metropolitan Centres](#). (p. 126.) Canadian Mortgage and Housing Corporation, 5 Feb. 2018, [eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/cmhc/pdfs/content/en/69262.pdf](https://www.cmhc.ca/cmhc/prodcontainer/sf/project/cmhc/pdfs/content/en/69262.pdf)

14 Dingman, Shane. "Multiple Offers Now Common in Toronto Condo Rental Market." *The Globe and Mail*. 25 January, 2018. <https://www.theglobeandmail.com/real-estate/toronto/multiple-offers-now-common-in-toronto-condo-rental-market/article37705784/>

15 Wong, Natalie. "Mansions languish, some condos pop as Toronto home sales face spring test." *Financial Post*, 2 May 2019. <https://business.financialpost.com/real-estate/mortgages/mansions-languish-some-condos-pop-as-toronto-home-sales-face-spring-test>



So why use arbitrary measures at all? The answer is two-fold. First, it is difficult to make policy based on the objective definition we have given above. People are willing and able to pay for housing until they aren't. By using historically-informed—but otherwise arbitrary—heuristics, we can better guide decision making. Second, looking at the same phenomenon using different, but similar, measures can help give credence to our variable of choice.

In this section, we will be agnostic towards any particular approach, so we will look at several. We will begin by using the CMHC and Statistics Canada's definition: a shelter-cost to income ratio (STIR) of 30%.

How serious is the affordability issue? Using data from the 2016 Census, the [City of Toronto](#)¹⁶ says that the median income for a household here is nearly \$66,000 per year (as an aside, this is only about 7% higher than the median income of \$61,000 in the year 2000¹⁷). That works out to a pre-tax income of \$5,500 per month. As of July 2019, the [median home price](#)¹⁸ (across all types, from detached to high-rise condo), on the other hand, was about \$705,000.

Using the online mortgage calculator from [TD Bank](#)¹⁹, we can estimate the monthly mortgage payments of the median home. To do this, we assume a 20% down payment (\$141,000), for a \$564,000 mortgage amortized over 25 years at TD's special offer of a 3-year fixed rate mortgage at 2.92%. Under these very generous conditions, our median family is looking at a monthly mortgage of \$2,646—that is 48% of their pre-tax monthly income. Of course, if the down payment was only 5% (\$35,250), then the mortgage rate would be even higher—\$3,142 per month, or 57% of their income.

As a comparison, the Royal Bank of Canada publishes a quarterly analysis of housing affordability trends in Canada. Their latest report for the first quarter of 2019 has similar results: including property taxes and utility costs, RBC estimates the [costs of home ownership](#)²⁰ to be 66.1% of household incomes.

But what about renting? If our median household was looking for a 2-bedroom condo in 2019, they can expect to [pay](#)²¹ to \$2,964 per month. That's still 54% of their pre-tax monthly income.

16 City of Toronto. "2016 Census Backgrounder: Income". <https://www.toronto.ca/wp-content/uploads/2017/10/8f41-2016-Census-Backgrounder-Income.pdf>

17 Toronto Condo Bubble. "Median Household Income in Toronto 1990 - 2012." February 1, 2013. <http://www.torontocondobubble.com/2013/02/median-income-in-toronto-from-1990.html>

18 TREB Market Research. "Market Watch: July 2019." <http://www.trebhome.com/files/market-stats/market-watch/mw1907.pdf>

19 TD Bank Mortgage Calculator. Accessed May 14, 2019. <https://tools.td.com/mortgage-payment-calculator/>

20 Wright, Craig and Robert Hogue. "Housing Trends and Affordability." RBC Economic Research. March 2019. <http://www.rbc.com/economics/economic-reports/pdf/canadian-housing/house-mar2019.pdf>

21 TREB Market Research. "Rental Market Report: First Quarter 2019." http://www.trebhome.com/files/market-stats/rental-reports/rental_report_Q1-2019.pdf



So far, we've been using 2015 as our income base, because this is the latest complete data we have. But we can make an estimate for incomes in 2019. Statistics Canada offers a monthly estimate of [individual weekly incomes](#)²² for each province. Between 2015 and 2019, incomes in Ontario increased by about 10%. If Toronto incomes increased at the same rate, then that means median incomes today are about \$72,000 per year \$6,000 per month.

For these households, a \$2,646 per month mortgage represents 44% of their monthly income, and a \$2,964 per month rent is still 49% of their annual income before taxes.

The Government of Ontario has its own [definition of affordability](#)²³: ownership or rental housing is said to be "affordable" if annual costs "do not exceed 30 percent of gross annual household income for low and moderate income households", where "low and moderate income households" are defined as "households with incomes in the lowest 60 percent of the income distribution for the regional market area."

The City of Toronto is its own "regional market area." To find the lowest 60% of the income distribution, we can use information from the "Total - Household total income groups in 2015 for private households" section of the 2016 Census. From there, we estimate that 60% of the households in the city earn a gross annual income of \$79,999 or less in 2015. Using the same method from above, we can estimate that in 2019 moderate income households are making at most \$88,000 per year, or about \$7,300 per month.

Going back to our earlier calculations on mortgages and rents, this now means

- | a mortgage payment of \$2,646 represents 36% of income for low and moderate income households;
- | rent on a two-bedroom apartment for \$2,964 is 41% of the pre-tax income of low- and medium-income households in Toronto;
- | even if the household is looking for a one-bedroom condo, which on average in Toronto leases for \$2,228 per month, that still works out to 31% of monthly pre-tax earnings.

In short, Toronto's housing prices and rents are unaffordable for low and moderate income families by the terms set out in the Provincial Policy Statement²⁴.

In yet another measure of the extent of housing crisis, Statistics Canada combines the housing affordability, as well as data on housing "adequacy" (not needing major repairs) and "suitability" (enough bedrooms for the size of the family), to determine what it calls "core housing need." Even though Toronto's housing adequacy and suitability have in fact been increasing over recent years, Statistics Canada still reports that the core housing needs of over 19% of Torontonians cannot be met. This is 50% higher than the national average—the highest rate in all of Canada.

²² Statistics Canada. Table 14-10-0223-01 Employment and average weekly earnings (including overtime) for all employees by province and territory, monthly, seasonally adjusted. <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1410022301>

²³ Government of Ontario. "Provincial Policy Statement." 2014. <https://www.ontario.ca/document/provincial-policy-statement-2014/60-definitions>

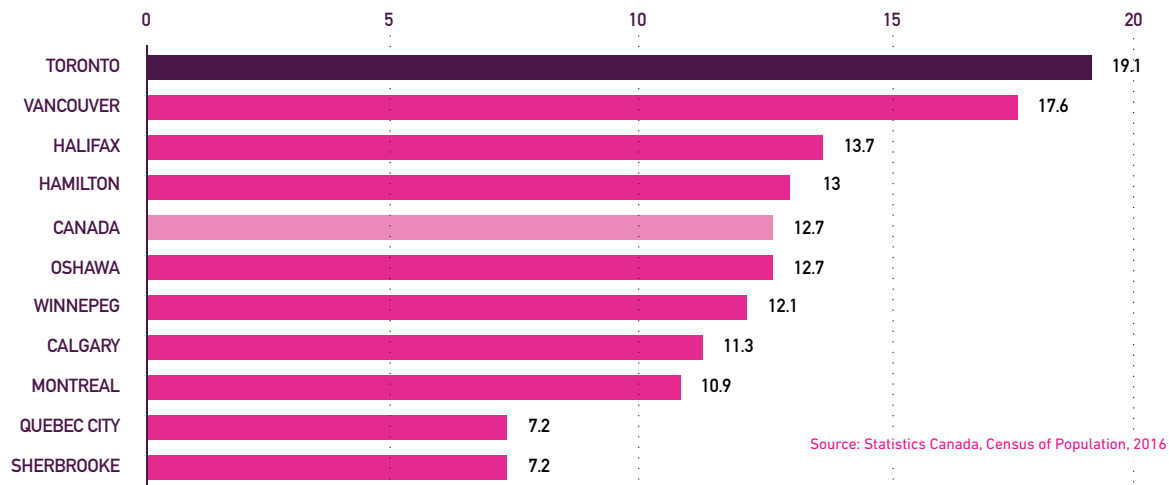
²⁴ By these metrics, the City is failing to be consistent with Section 1.4.3 (a) of the Provincial Policy Statement, which reads, "Planning authorities shall provide for an appropriate range and mix of housing types and densities to meet projected requirements of current and future residents of the regional market area by... establishing and implementing minimum targets for the provision of housing which is affordable to low and moderate income households."



Even by global standards, Toronto remains exceptionally unaffordable. Given the importance of Toronto's market, this is even affecting Canada's international ranking. According to the International Monetary Fund's [Global Housing Watch](#)²⁵, it is less affordable to buy a house in Canada than it is in other developed countries like Sweden, Japan, the United States, the United Kingdom, and Denmark. What's driving Canada's surge in unaffordability is prices in its largest housing market—Toronto.

Figure 2

CORE HOUSING NEED



What's worse for Torontonians is that numerous indices rank Toronto as among the least affordable cities globally. In the 2018 [Bloomberg Global City Housing Affordability Index](#)²⁶, Toronto jumped 18 places from the previous year to land as the 28th least affordable city to live in the world. The 2018 [Demographia International Housing Affordability Survey](#)²⁷, among cities with populations of over 2 million people, ranked Toronto as the 8th least affordable (defined as "median house price divided by median pre-tax gross household income")—ahead of such cities as New York, Singapore, Tokyo, and Chicago, putting Toronto squarely in the "severely unaffordable" range.

Furthermore, in 2017, the British home-selling website [Nestled](#)²⁸ ranked Toronto as the 25th most-expensive rental city in the world—ahead of Shanghai, Rome, and Madrid.

25 Global Housing Watch. International Monetary Fund, 31 Aug. 2018. www.imf.org/external/research/housing/index.htm.

26 Miller, Lee J., and Wei Lu. "Housing Prices Are Through the Roof in These 10 Cities." Bloomberg.com, Bloomberg, 4 Oct. 2018. www.bloomberg.com/news/articles/2018-10-04/home-cost-index-says-ouch-hong-kong-oh-canada-hello-dubai.

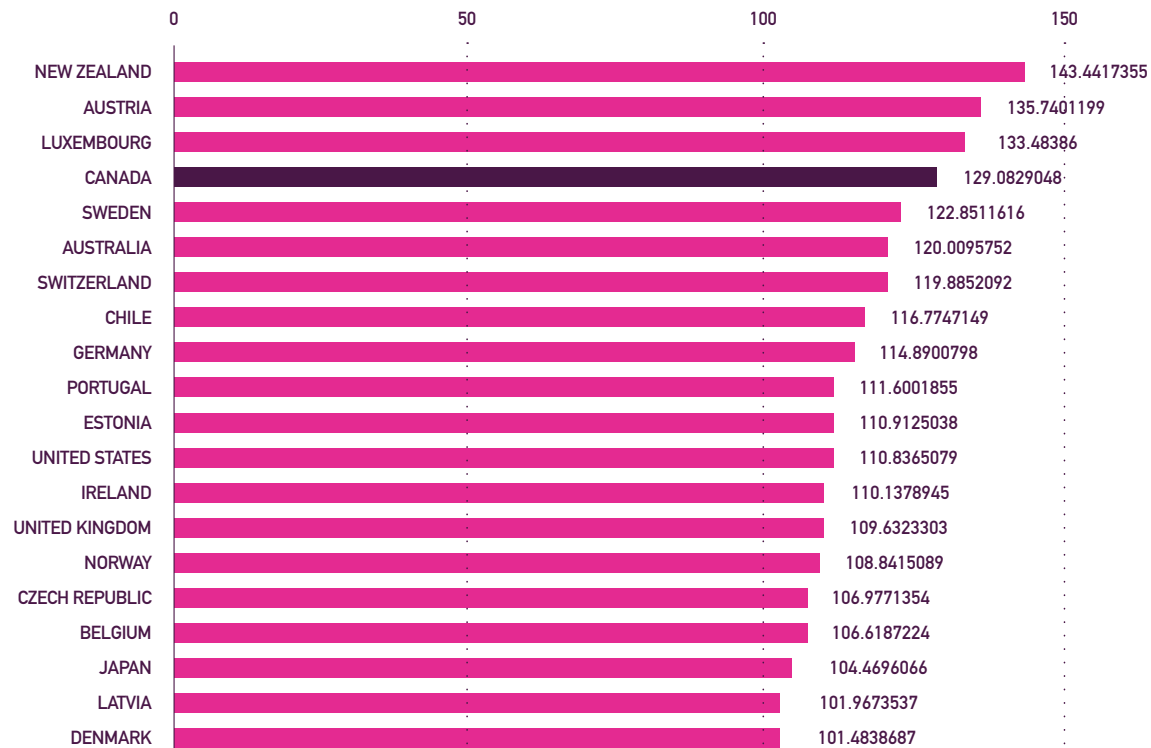
27 Carozzi, Felipe, Paul Cheshire, and Christian Hilber. 14th Annual Demographia International Housing Affordability Survey: 2018. Frontier Centre for Public Policy.

28



Figure 3

HOUSING PRICE-TO-INCOME RATIO



Source: International Monetary Fund, Global Housing Watch, August 2018

A WORD ON "AFFORDABLE HOUSING"

In this report, we are focusing on a concept we like to call market affordability. That means we are interested in lowering prevailing market prices, without the use of government subsidies, so that housing becomes more accessible to the vast majority of current and future residents.

This is not to be confused with "affordable housing." In the jargon of housing advocates and policy makers, affordable housing has a precise meaning: housing that is priced below the market price through the support of government subsidies and other interventions. The most common aim of affordable housing (also known as social housing) is to ensure that low income and other vulnerable groups have access to housing.



WHY IS THIS A GROWING ISSUE?

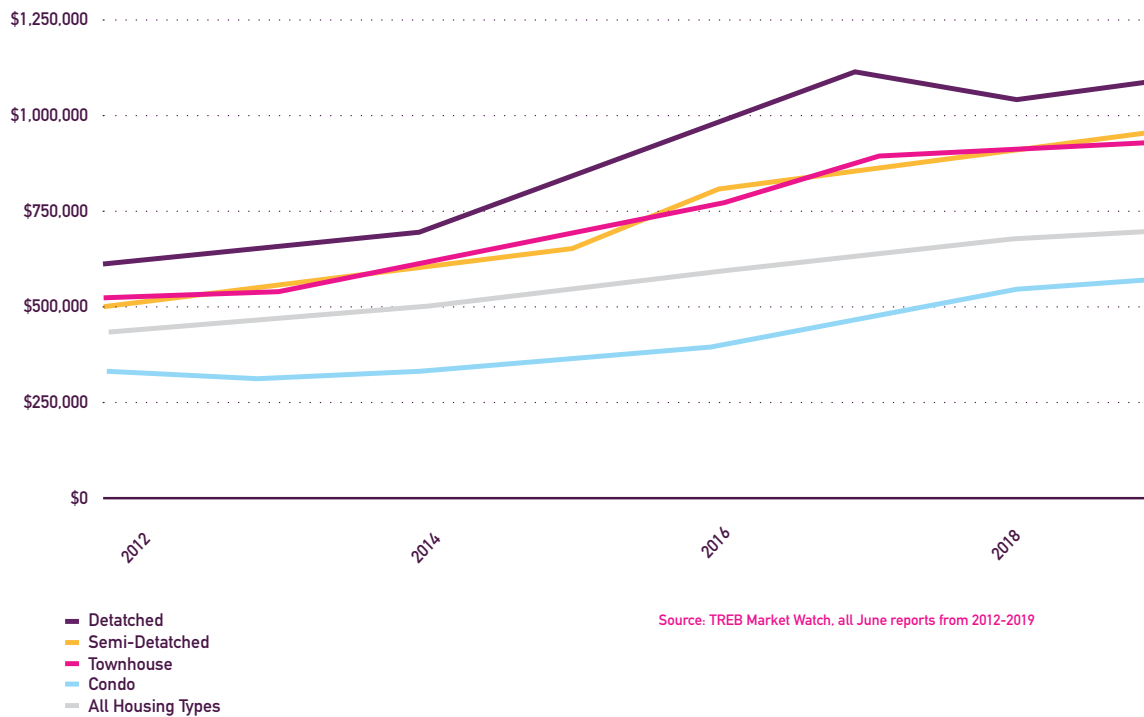
According to an August 2018 [survey conducted by Ipsos](#),²⁹ a remarkable **94%** of 18 to 35 year-olds in the GTA said that they were worried about their ability to afford housing. A July 2018 poll by the Toronto Star and Forum Research suggested that 26% of Torontonians find affordability to be the number one issue in the city (gridlock was the primary concern for 19% of poll respondents). For comparison, affordability was the primary issue for 23% of Torontonians in a [2010 poll](#)³⁰ commissioned by George Brown College.

Consider also this comparison: A report by [Global News](#)³¹ revealed that (adjusting for inflation) median wages for Canadians have increased by approximately 13% from 1977 to 2016; meanwhile, inflation-adjusted housing prices have increased by 130%. Dramatically rising housing prices are contributing to lower purchasing power for Torontonians.

Most pertinently, housing prices have increased 65% since 2012, almost triple the pace of median income growth.

Figure 4

Toronto Median Housing Prices in June 2012 - 2019



29 Ipsos. "Nine in Ten (94%) GTA Millennials Concerned about the Ability of Young People to Afford a Home in the GTA." October 2, 2018. <https://www.ipsos.com/en-ca/news-polls/BILD-TREB-Housing-Affordability-GTA-October-2-2018>

30 Grant, Kelly. "Survey reveals Generation Y's pessimism on Toronto's future." The Globe and Mail. May 6, 2010. <https://www.theglobeandmail.com/news/toronto/survey-reveals-generation-ys-pessimism-on-torontos-future/article4317781/>

31 Alini, Erica, and Jesse Ferreras. "Boomers, Gen-X, Millennials: How Living Costs Compare Then and Now." Global News, Global News, 11 Nov. 2017. globalnews.ca/news/3854264/boomers-gen-x-millennials-cost-of-living-canada/.



What determines housing prices?

Housing prices are like any other price: fundamentally, they are functions of supply and demand. We will look at each factor individually.

A QUICK CRASH COURSE ON ECONOMICS

The **demand** for housing is what people are willing and able to pay for a home. Ability to pay is determined by incomes and population growth. Willingness to pay is the maximum price that the person will definitely pay to buy a good.

The **supply** for housing is what people are willing and able to sell to the market. Ability to sell is determined by the costs of bringing a home to market and the number of home sellers. Willingness to sell is determined by the expectation of the sellers to make a profit at a given price.

If prices are too high, then there will be a **surplus** of supply relative to demand. Inventories will be high, and (if prices can't be cut) quality will increase to attract buyers.

If prices are too low, then there will be a **shortage** of supply relative to demand. Inventories will be low, and even low quality units will be quick to sell.

If prices are just right, then there will be no shortage or surplus, and we say that the market is in **equilibrium**.

The Demand for Housing In Toronto

To infer Torontonians' ability to pay, it's possible to point to well-known facts like the increasing population (up 10.1% from 2001 to 2016 in the city proper, and 26.6% in the Census Metropolitan Area), increasing median household incomes (up 12.8% from 2010³² to 2016³³), and decreasing unemployment numbers (from 11.1% in August 2009 to 6.2% today).

But we get a much more interesting perspective by analyzing the annual reports of the so-called "Big Five" Canadian banks.

Residential mortgage lending allows people to borrow to pay for a new home. The larger mortgage you can carry, the more you can afford to pay for a house. In the year 2000, the total residential mortgage lending by RBC, TD, Scotiabank, BMO, and CIBC was about \$250 billion combined. By the end of the **first quarter of 2018**,³⁴ that figure had ballooned to over \$941 billion. According to the **Bank of Canada**,³⁵ this growth is almost triple the rate of inflation—almost 21% per year.

32 City of Toronto. Trends Issues Intensification: Downtown Toronto (p. 25). City of Toronto, City Planning, May 2014, www.toronto.ca/legdocs/mmis/2014/te/bgrd/backgroundfile-69192.pdf.

33 City of Toronto. 2016 Census Income Backgrounder. City of Toronto, 14 Sept. 2017, www.toronto.ca/wp-content/uploads/2017/10/8f41-2016-Census-Backgrounder-Income.pdf.

34 Vandaette, Ian. "Big Banks Keep Growing Mortgage Books despite New Stress Tests - BNN Bloomberg." BNN, 2 Mar. 2018, www.bnnbloomberg.ca/canada-s-big-banks-keep-growing-mortgage-books-despite-new-stress-tests-1.1015974.

35 Bank of Canada. "Consumer Price Index, 2000 to Present." Bank of Canada, www.bankofcanada.ca/rates/price-indexes/cpi/.



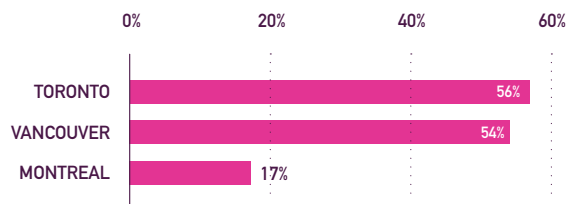
(Exactly why Canadian banks have been increasing their residential mortgage lending is, to a degree, a function of low interest rates, insurance from the federal government, and other government policies that have encouraged borrowing and lending for homes. A full analysis of these issues is beyond the scope of this report.)

And while not all banks provide a municipality breakdown of their loans, consider this: in the year 2000, CIBC had a total residential mortgage loan portfolio of about \$52 billion. According to page 69 of 2017 Annual Report, of the \$207 billion in worldwide residential mortgage loans it has on its books, \$60.9 billion went to finance homes in the GTA. In other words, by 2017, CIBC made more home loans to Torontonians alone than it made to fund home buying in the entire country in the year 2000.

If CIBC is representative of the other Big Five banks, in that 30% of their entire mortgage portfolio is tied up in the GTA that puts the total amount of residential mortgages outstanding in the GTA at roughly \$273 billion.

Figure 5

Home Buyers Participating in a Bidding War in the Last Year



Source: CMHC, *Examining Escalating Housing Prices in Large Canadian Metropolitan Centres* (P.126), 2018

What about foreign buyers?

In 2017, the Ontario government—acting on accusations that foreign buyers were a major contributor to the housing price crisis—implemented the so-called “non-resident speculation tax” as part of its Fair Housing Plan (along with 15 other measures aimed mostly at curbing demand). Today, “individuals who are not citizens or permanent residents of Canada or by foreign corporations (foreign entities) and taxable trustees” must pay tax amounting to 15% of the sale price of the home. But how great was the need for this new tax, and what has its impacts been?

Using data from the Land Transfer Tax, the Ontario government [reports](#)³⁶ that in the period from April to May 2017, foreign buyers made up 7.2% of all purchases in the City of Toronto. By February 2018 (the most recent data available), foreign buyers had dropped to 2.5%. Furthermore, most foreign buyers were not ultra wealthy high-rollers; rather, they were middle-class families looking for a safe investment (which they would then rent out, often at a loss), or a place for their children to live. So foreign buyers were already a small part of the picture, and have been made smaller.

On the topic of the Fair Housing Plan, it looks like its effects are already wearing off. Despite a large crash in Toronto housing prices in the immediate aftermath of the new policies, prices are beginning to rebound. In April 2017 year-over-year prices had increased 25.2% and 35.3% for detached homes and condos, respectively; by October 2018, prices were still up from a year ago: up 1.4% for detached homes, and 8.6% for condos.

³⁶ Ontario Ministry of Finance, Land Transfer Tax (LTT) Additional Information Collection. Ministry of Finance: Government of Ontario, 2018, www.fin.gov.on.ca/en/bulletins/ltt/additional-info.html.



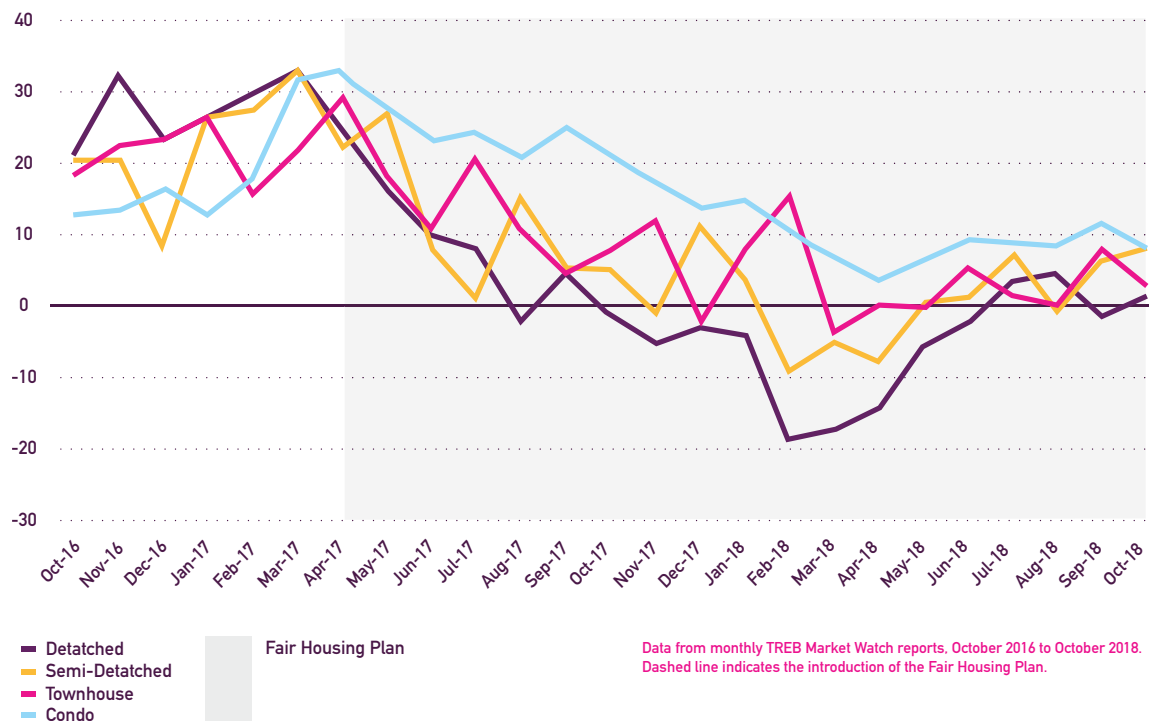
The federal government also tried to intervene in home prices by attempting to suppress demand. As of January 1, 2018, the Office of the Superintendent of Financial Institutions (OSFI) required that all mortgages be subject to the so-called "stress test" of determining whether a borrower can handle higher interest rates. As well, OSFI made it more difficult for bankers to lend large portions of the home's total value. It is likely that these new measures squeezed some buyers from detached homes into buying condos or townhomes, as detached homes are more expensive.

Torontonians have the income, access to credit, and increasing population numbers to buy a home. There is no large influence from foreign speculators. And despite large attempts by the government to curb demand via additional taxes, stress tests, and limitations on borrowing, prices have continued to rise. In short, Torontonians are able to pay.

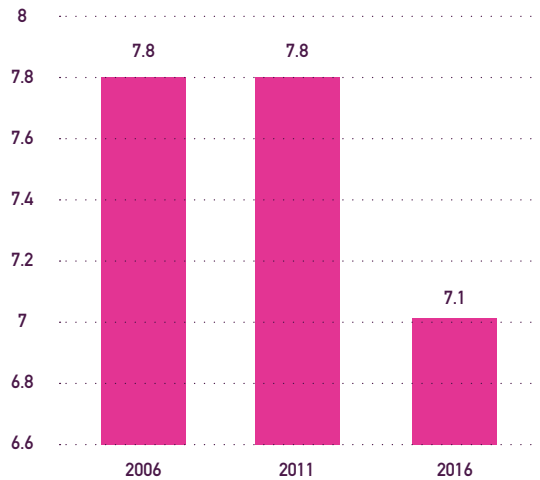
How can we infer the willingness to pay? In the simplest of terms, the fact that Toronto's population is growing is itself evidence of willingness to pay.

Figure 6

Toronto Home Prices Year-Over-Year Percentage Change



In the above section on availability, we mentioned that 56% of homes bought in Toronto in 2016 were purchased in a bidding war. But why are bidding wars dominating the Toronto housing market? The simplest answer is that people are so desperate to buy or rent a home here, that they are willing to risk overextending their budget in order to do so. And the fact that this phenomenon coexists with a growing population is evidence that this willingness to live here is strong.

**Figure 7****Rate of Inadequate Housing**

Source: Statistics Canada. 2017. Core Housing Need. 2016 Census

suggests a customer base that is willing and able to buy, but is being frustrated in their attempts to buy. This behavior is pushing prices up, and as a consequence, is forcing young families out of Toronto and into the suburbs of the GTA.

Toronto's Inelastic Housing Supply

In economics, supply "elasticity" refers to how much the quantity supplied will increase following an increase in price. Thus, "inelasticity" refers to a situation where very little change is seen in the quantity supplied despite a large increase in prices.

What is the elasticity of Toronto's housing market? There have been several estimates. The CMHC estimated in 2018 that the GTA has a housing supply elasticity of 0.35, which means that for every 1% increase in housing prices, the housing supply increases by 0.35%. Any elasticity below 1.0 is considered "inelastic", and so 0.35 is a very "inelastic" number. This compares very poorly with other major Canadian metropolitan areas: the elasticities for Calgary, Edmonton, and Montreal are 0.94, 2.15, and 2.10, respectively. Only Vancouver is in the same ballpark with 0.22.

While the city has no shortage of land relative to its population, especially when compared to other major global cities like London (1.3 times as densely populated as Toronto), New York City (2.5 times as dense as Toronto), and Paris (5 times as dense as Toronto), new developments remain a challenging process. We'll explore the reasons why for this phenomenon in the next chapter.

Is Toronto a Housing Bubble?

A housing bubble is when prices are rising faster than what the homes are "really" worth. Thus, to determine whether Toronto is a bubble, we first need to determine how much homes here are "really" worth, and then explain why their prices are different than this "real" value.

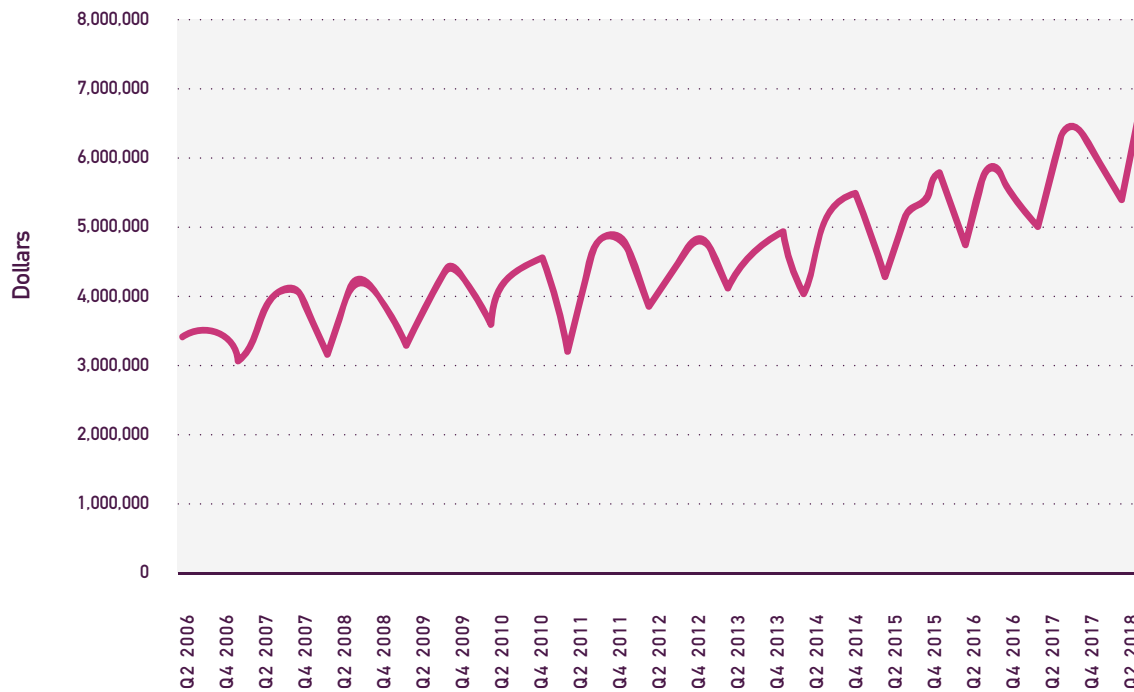
However, this trend should not be taken lightly. Not everyone is willing to pay these high prices, or suffer through the hurried buying process. The number of children in Toronto is declining: in 2015, Toronto had 398,000 children aged 0-14; in 2010, however, it had 400,860. Meanwhile, the rest of the Census Metropolitan Area (less Toronto) had 587,480 children in 2015, while only 574,470 in 2010. This means that young families are choosing to live away from Toronto, and move into the suburbs.

To recap: There are plenty of people willing and able to pay to buy a home in Toronto. Yet bidding wars happen. A bidding war is a sign of desperation from buyers due to insufficient supply. Coupled with the low vacancy rates and fast selling times mentioned in the previous section, this



Figure 8

Ontario Home Renovation Spending



Source: Statistics Canada. Table 34-10-0010-01 Residential Construction Investment (x1,000)

Of course, a lot has been written on bubbles in general, and Toronto's housing market in particular. Here it will suffice to just focus on a few stylized facts. Let us define the "real" price as that which would emerge without any "artificial" government support. With this definition, no one could deny that Toronto housing prices are heavily supported by both direct and indirect government subsidies, like mortgage insurance and low interest rates.

The subsidies and cheap loans allow people to pay more for housing than they otherwise would. People will be able to "afford" more luxuries like bigger homes or granite countertops. These actions translate to higher prices than the "real" price of housing. Hence, we have a bubble.

One might make the argument that a quota is going to limit the problems caused by artificially low interest rates, mortgage guarantees, and other direct and indirect subsidies that incentivize more borrowing and spending. However, a quota creates new problems of its own: first, it is raising prices even more than otherwise by exacerbating the differences between supply and demand; and second, it's also incentivizing more luxury builds at the expense of affordable housing (to say nothing about all the productive resources being redirected into this mess.)

If a McMansion is an overly-luxurious, mass-produced house, a McCondo is an overly-luxurious, mass-produced condo. In a constrained-supply, cheap-credit market like Toronto, the incentive is to build more McMansions and McCondos. By trying to limit the effects of one intervention with another, we end up with the worst of both worlds: bad loans and malinvestments for overpriced, excessively luxurious housing, while also suffering from a general lack of homes to buy.



What would happen in a market crash? Prices would fall, incomes would fall, and new homes would be less luxurious. But as long as Toronto remains a global destination for job seekers and entrepreneurs, the population would continue to grow (as would the demand for homes). Thus, even if all the government supports were to disappear, housing in Toronto would still suffer from unaffordability and unavailability.

Rental Affordability

In hot markets that are also under rent control, landlords have a choice: keep their current tenant under the low rent, or evict the current tenant to find a higher paying tenant. As a result, security of tenure becomes a major concern for renters (many of whom are low-income families or students).

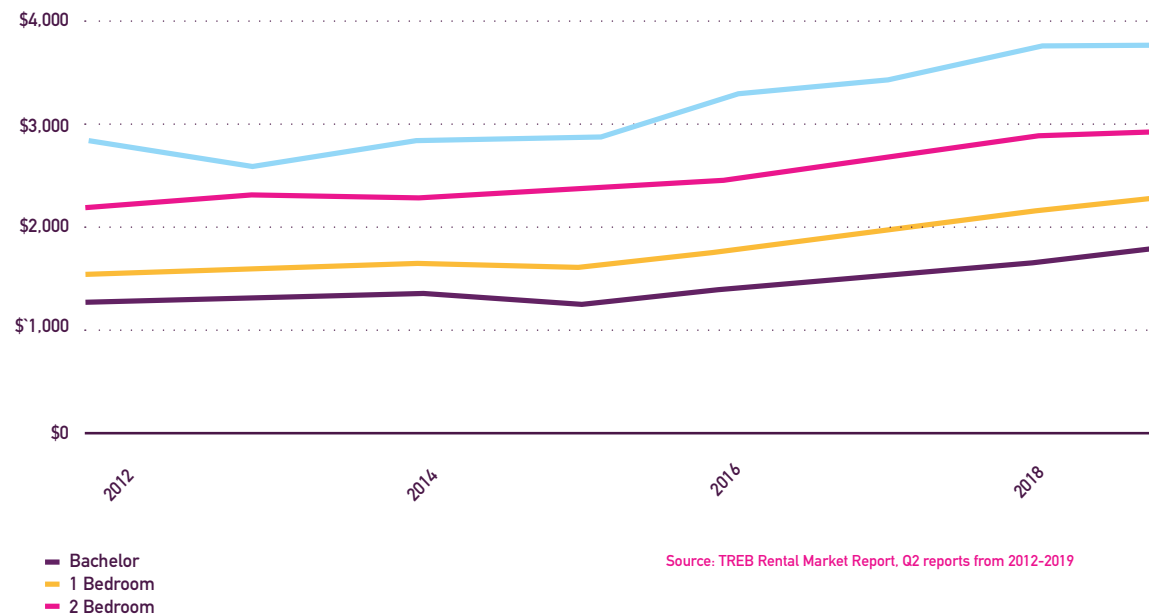
What to do? To reiterate, the reason that this is a problem is because of the constraints on new housing supply. So long as supplies are limited, prices will continue to rise.

Figure 9

BEDROOM COUNT	MEDIAN RENT IN Q2, 2012-2019							
	2012	2013	2014	2015	2016	2017	2018	2019
Bachelor	\$1,291	\$1,350	\$1,338	\$1,336	\$1,430	\$1,558	\$1,726	\$1,826
1 Bedroom	\$1,596	\$1,648	\$1,649	\$1,642	\$1,752	\$1,910	\$2,119	\$2,228
2 Bedroom	\$2,220	\$2,327	\$2,285	\$2,361	\$2,465	\$2,677	\$2,930	\$2,989
3 Bedroom	\$2,888	\$2,707	\$2,854	\$2,938	\$3,289	\$3,387	\$3,795	\$3,832

Source: TREB Rental Market Report, Q2 reports from 2012-2019

Toronto Median Rent in Q2, 2012-2019





THE ECONOMICS OF RENT CONTROL

Rent controls are a textbook example of a **price ceiling**. This is when prices are, by legislation, set too low. As such, simple supply and demand analysis (see the above textbox on a Quick Crash Course on Economics) tells us that the quantity of rental units demanded will exceed the quantity supplied. So from this simple analysis, we can conclude that rent controls will cause a shortage in rental housing.

More advanced analysis reveals that we can expect that landlords of rent-controlled units will skimp on maintenance, while being more discriminatory about who they rent out to. Meanwhile, as it becomes harder to find suitable rental elsewhere, renters tend to stay put longer—even as it becomes harder to commute to new opportunities.

There are two ways that this can be achieved: if rent controls are too stringent, even after allowing for increases for inflation and repairs, then existing rental units being converted to condominiums, and some future rental units never being built in the first place. An alternative mechanism is that fewer rental units will come on the market, and instead developers will supply condos instead.

While there have been many econometric studies of rent control over the last five decades, a [recent study](#)³⁷ of San Francisco has had unprecedented access to individual tenant and landlord data. This allowed them to undertake one of the most detailed analyses of rent control to date. As the authors themselves conclude, between 1994 and 2016, “impacted landlords reduced the supply of available rental housing by 15%.” This led to a “25% decline in the number of renters living in units protected by rent control, as many buildings were converted to new construction or condos that are exempt from rent control.” They conclude their study unambiguously: “Rent control appears to have increased income inequality in the city by simultaneously limiting displacement of minorities and attracting higher income residents.”

How can we explain this collection of facts?

To summarize the facts of Toronto's housing market: there is a lot of demand for housing. This is evidenced by low vacancy rates, bidding wars, and increasing housing prices and rents. However, the construction and availability of new homes has been restricted. And what may come as a surprise to some readers, some measures indicate that housing quality has increased.

What kind of economics accounts for such a collection of facts? The answer, somewhat surprisingly, comes from the field of international economics.

A legally-restricted quantity of supply, with rising prices, and with increases in quality are symptomatic of quotas.

³⁷ Diamond, Rebecca, Timothy McQuade, and Franklin Qian. The effects of rent control expansion on tenants, landlords, and inequality: Evidence from San Francisco. No. w24181. National Bureau of Economic Research, 2018. <https://web.stanford.edu/~diamondr/DMQ.pdf>



While traditionally a quota is understood to be a hard limit on the maximum quantity of a good that can be imported or sold in a region, any restriction on the maximum quantity that can be supplied to the market will have a similar effect. With a limited quantity of goods available, consumers will be jumping over each other to get their hands on the goods. As such, the price consumers are willing to pay will greatly exceed the price producers are willing to supply.

Understanding this, suppliers will have a new opportunity available to them to increase margins. Specifically, they can market the product as a “luxury” good, even though most of the changes will be cosmetic.

Think of it this way: if Toyota could only import 1,000 cars per year to Canada, they are going to try to send more luxurious Lexuses than they are economical Camrys since the margin they earn on a Lexus will be higher. And as we know, most Lexuses share a platform with a lower-end Toyota model, but the exterior styling and interior cosmetics have been upgraded.

Now imagine that the Government of Canada created new “safety” regulations that applied to new imports only, and that it hired new border agents to enforce them. As it happens, these regulations are so stringent, that only a handful of Rolls-Royces are allowed in.

This is the same process for housing: if developers are only allowed to build so many units, they are incentivized to build more high-margin, luxury units for sale than affordable purpose-built rentals. And those looking to sell their existing homes will also try to compete with their own luxurious home renovations.

We see this story playing out in the data. Statistics Canada collects home renovation spending at the provincial level. From 2006 to 2018, Ontarians have nearly doubled the total spending on renovation. How does this translate to Toronto? Statistics Canada goes on to report that measures of “housing suitability” and “housing adequacy” have been increasing in Toronto since 2006.

If this were the result of the normal interplay between supply and demand, then we should expect for quality-adjusted prices to also decrease over time. This is because the dynamics of market competition encourage producers to create better or cheaper products over time, in an effort to win over new customers. Think of the price and quality of a typical [computer](#)³⁸ or [cellphone](#)³⁹ in the 1990s and compare it to today. Not only have features and quality increased substantially, but prices have dropped as well. This is the sign of a healthy market.

From the economic analysis of the facts, we can only conclude that Toronto does not have a healthy market. While there has been a natural growth in demand to live in Toronto, there are impediments that make it difficult to supply the appropriate housing. In the next section, we explore what we believe the biggest impediment is, and what to do about it.

38 Rosoff, M. (2015). Why is tech getting cheaper?. [online] World Economic Forum. Available at: <https://www.weforum.org/agenda/2015/10/why-is-tech-getting-cheaper>

39 The Economist. (2014). The rise of the cheap smartphone. [online] Available at: <https://www.economist.com/business/2014/04/05/the-rise-of-the-cheap-smartphone>

II. Understanding the Yellowbelt



As discussed above, the Yellowbelt is the moniker given to the areas of Toronto which are colored yellow on the City's official land use planning map. This section gives a brief overview of what land use planning is, provides some economic analysis of the incentives involved, looks at urban density in Toronto, and maps the Yellowbelt.

LAND USE PLANNING: WHAT IT IS, AND WHY IT EXISTS

"Land use planning" (often shortened to just "planning") refers to the practice of restricting how private individuals and governments may permissibly use land that they own. Indeed, the Canadian Institute of Planners defines it as "the scientific, aesthetic, and orderly disposition of land, resources, facilities and services with a view to securing the physical, economic and social efficiency, health and well-being of urban and rural [communities](#)⁴⁰."

These restrictions typically apply to the height of a structure, the "bulk" of a structure (generally its shape in terms of width and depth at various heights), the economic function of a structure (whether it is residential, industrial, office, etc.), and minimum lot sizes (including whether a structure has to be "set back" from the property line by some amount). Land use planning also sets out regulations for park space, urban sprawl, general aesthetic standards, and environmental standards.

Land use planning typically refers to the broad set of policies and laws that then direct, guide, or influence other, more specific, legislation. The most common type of legislation involves dividing the city into large "zones" with similar economic and building restrictions. This practice is known as zoning.

At this point, it's important to distinguish between zoning and land use planning from building codes. The building code of a city typically regulates safety standards and environmental protocols only.

The Legal Basics of Land Use Planning in Toronto

In Toronto, there are two regulatory levels of land use planning. It starts at the provincial government, with the **Planning Act**⁴¹. Section 34 is what gives authority to municipalities to have zoning by-laws. The Planning Act also requires that municipalities have an "official plan" an overall vision for land use planning that the zoning by-laws have to abide by.

40 Canadian Institute of Planners. <https://www.cip-icu.ca/Careers-in-Planning/About-Planning>

41 Planning Act, RSO 1990 c P.13





Zoning by-laws are not set in stone. There exists a [legal process](#)⁴² that allows anyone to build in excess of the limits set by the city. But that's not all. The Planning Act allows municipalities to collect monies for parkland and "community benefits" (excluding infrastructure upgrades, which are regulated by the Development Charges Act) from developers in exchange for allowing them to build something that isn't currently allowed in the zoning by-laws.

Official Plans must meet two legal standards: (1) they must conform to the provincial plans, and (2) they must be consistent with the Provincial Policy Statement. (To "conform" is a stricter legal standard than to be "consistent" with.) The provincial plans, like the Growth Plan for the Greater Golden Horseshoe, are like official plans made by the provincial government that apply to specific municipalities. The Provincial Policy Statement is more general, setting standards for the whole province.

Toronto's Official Plan is a very important document. It aims to determine what kind of city Toronto will be. Not only does it put forward generic visions of tree-lined avenues and a "spectacular waterfront"; it also sets forth the specific policies that the zoning by-law must then implement. These policies include general city-wide requirements like demanding that the "physical character" of neighborhoods not change (see the next section), and the type of studies that must be undertaken for a new development. It even defines what counts as a "view" in the city.

The Historical Origins of Zoning in Toronto

According to the Canadian Institute of Planners, "planning has always been vital to the sustainability of safe, healthy and secure urban environments." As we detail in the textbox "A brief history of zoning" at the end of this section, this wasn't always true. Specifically, we argue that zoning has always been primarily to protect incumbent land owners from changes imposed by neighbours, with the use of government force. Over time, people in growing cities realized these laws also allowed them to capture the economic effects of restricted competition.

Indeed, even in the history of Toronto, the origins of zoning was explicitly to increase land values. On 1920, more than three decades before Toronto introduced zoning, the *Globe and Mail* ran a piece entitled "The Need for Zoning"⁴³. In it, Toronto was admonished for not doing enough to protect "home-makers" from encroaching buildings that destroy land values.

Thirty-two years later, when the first draft of Toronto's first zoning by-law was proposed, the chair of the committee responsible for writing it wrote an article in the *Globe and Mail* to promote and explain the purposes of zoning⁴⁴. The first point used to defend using the power of law in restricting what property owners could build on their own land? "To protect the investment of the property owner from objectionable use of adjoining or nearby lands or properties..."⁴⁵

⁴² See the "Process Flowchart" from City of Toronto, "Official Plan and Zoning By-law Amendment." Accessed September 2019. <https://www.toronto.ca/city-government/planning-development/application-forms-fees/building-toronto-together-a-development-guide/official-plan-and-zoning-by-law-amendment/>

⁴³ The *Globe and Mail*. "The Need of Zoning Law." July 9, 1920..

⁴⁴ Belyea, Roy. "Property Committee Chairman Outlines Bylaw." The *Globe and Mail*, May 20, 1952.

⁴⁵ Thanks to Gil Meslin on Twitter for bringing these newspaper articles to my attention.

Figure 10

1920 article in The Globe connecting zoning to home prices



THE NEED OF ZONING LAW

Toronto may not have all the right that it claims to be called a city of homes if something more is not done to protect home-makers from the encroachment of buildings that destroy home values. Periodically groups of courageous and angry citizens appear before the City Council to protest against the admission of unsuitable and incongruous buildings to their home areas. In thousands of cases where home values have been largely destroyed and streets have gradually disintegrated by this laissez-faire policy of building, no deputations have appeared, and home-makers have had to sell out at serious loss and build elsewhere, with the permanent possibility of suffering the same persecution, loss and inconvenience. This is a poor way to encourage people to own their own homes. The better way would seem to be to rent where you can and move when you must—if there is no protection for the home builder.

To an ardent Chicagoan, who wished to start an "Own Your Home" campaign the President of the Illinois Chapter of the American Institute of Architects said: "You cannot start an own your home movement in Chicago without a zoning law." Chicago got a zoning law—which is an essential part of town planning—after being told for a number of years by the House of Representatives that they could not have it, as it was unconstitutional. The Mayor of Chicago said: "Our Government guarantees the rights of property. Scientific arrangement, efficient management and proper distribution should guard those rights and not imperil them." By the absence of such a law, he said, and the mixing of incongruous buildings, the stability of property had been destroyed in whole neighborhoods; the physical character had been changed for the worse, and real estate values lost that would run into millions of dollars. "The beauty, usefulness and productiveness of some of the celebrated cities of the world," he said, "are due to the effective plans and regulations for the use of property which are followed for the good of the whole."

The "Own Your Home" campaigners—before the zoning law

was passed—canvassed the Labor organizations, but the men frankly told them that they did not believe in owning their own homes. Why? Because when they bought a home they found themselves anchored with an investment which they could not readily dispose of on account of the lack of stability in the value of property. These values were continually being destroyed by lawless building sanctioned by the authorities.

A statement was made at the Chicago Zoning Conference last December that practically all the large cities of the United States now feel that it is almost impossible to continue further without the adoption of a building zone plan. The city of Newark was the first of the American cities to adopt a zoning plan, and henceforth no apartment blocks will be permitted in the districts that are reserved for individual homes, and in these reserved districts density and heights are regulated and building lines prescribed so that congestion will be impossible and the architectural amenities of streets will be preserved. Since then other cities, including Washington, New York, Chicago, Boston, St. Louis, Philadelphia, Portland (Oregon), Berkeley, Fresno, Rochester, Buffalo, Cleveland, Detroit, Hamilton (O.), Milwaukee, San Francisco, Oakland, Los Angeles and other large cities, have passed zoning laws or have them before the Legislatures.

It is not a little significant that the Chicago Real Estate Board worked as enthusiastically as any of the many civic organizations for the passing of a zoning law. But a zoning law is especially the citizens' affair; the home owner's and the taxpayer's. When a district has a manifest residential destiny that cannot be converted to mixed commerce and industry millions of dollars can be saved in pavement alone. When it is not known where industry and business may go every street has to be paved to suit all uses. It is estimated that New York will save a billion dollars within the next twenty years in virtue of its zoning law. And the home-builder will not find some morning that half the value of his home site is destroyed by the misuse of an adjoining lot. Apartment houses, industrial plants, garages and even laundries will be welcomed—in their proper places.

Source: The Globe (1844-1936); Jul 9, 1920; ProQuest Historical Newspapers: The Globe and Mail, pg. 6



A BRIEF HISTORY OF ZONING

Within the English historical legal tradition (of which Canada follows), the history of land use controls follows very closely to a history of crises.

While the English common law has an ancient protection against “nuisances”, the first ever attempt to legislate an attempt to control the construction of buildings came in 1189, known as the [Assize of Buildings](#).⁴⁶ (An “assize” was a court that convened periodically in England.) It was enacted by the first ever mayor of London, Henry fitz Ailwin, in his first year in office.

The official purpose of the legislation was “for the allaying of the contentions that at times arise between neighbours in the City touching boundaries made, or to be made, between their lands, and other things”. Among other things, the ordinance spelled out the procedure for sharing costs for shared walls and fences, regulated windows overlooking others’ property, and gave power to halt construction under dispute. It also encouraged the use of stone. The assize was adjudicated by 12 elected “aldermen”.

The first explicit attempt to limit the height of buildings in London was passed in 1667, five months after the Great Fire of London in 1666. Known as the [Rebuilding Act of 1667](#),⁴⁷ it also mandated that all new homes be made of brick (then set price controls for bricks), as well as proposed a new “master plan” for redesigning the city. However, property owners fought back, and were able to rebuild without central planning.⁴⁸

Britain’s first act to preserve “heritage” sites was the [Ancient Monuments Protections Act of 1882](#),⁴⁹ well over 100 years after the Industrial Revolution. It protected structures mostly from the Neolithic era, such as Stonehenge.

The [first comprehensive zoning law](#)⁵⁰ in Toronto was passed on June 10th, 1952. The day that the by-law was voted in, council passed an amendment to trial out the new rules for one year, applying them to only the areas of the city that had no other restrictions on them. This was estimated to be roughly 20% of the city⁵¹.

46 British History Online. “Additions to the Chronicles: Assize of buildings (Richard I)”, in *Chronicles of the Mayors and Sheriffs of London 1188-1274*, ed. H T Riley (London, 1863), pp. 179-187. <https://www.british-history.ac.uk/no-series/london-mayors-sheriffs/1188-1274/pp179-187>

47 British History Online. “Charles II, 1666: An Act for rebuilding the City of London.”, in *Statutes of the Realm: Volume 5, 1628-80*, ed. John Raithby (s.l., 1819), pp. 603-612. <https://www.british-history.ac.uk/statutes-realm/vol5/pp603-612>

48 Forrest, Adam. “How London Might Have Looked: Five Masterplans after the Great Fire of 1666.” *The Guardian*, 25 Jan. 2016, <https://www.theguardian.com/cities/2016/jan/25/how-london-might-have-looked-five-masterplans-after-great-fire-1666>.

49 Ancient Monuments Protection Act of 1882. https://www.legislation.gov.uk/ukpga/1882/73/pdfs/ukpga_18820073_en.pdf.

50 “A Brief History of Zoning Bylaws in Toronto.” *Toronto Reference Library Blog*, 14 Dec. 2015, torontopubliclibrary.typepad.com/trl/2015/12/a-brief-history-of-zoning-bylaws-in-toronto.html.

51 *The Globe and Mail*. “Bylaw of 15,000 Words Covering City Zoning To Be Tested for Year.” June 11, 1952.



In North America, legal attempts to limit the height, type, and location of buildings go back to at least the 1800s. The first zoning ordinance on the continent was issued by the small California town of **Modesto in 1885**.⁵² It declared that operating “a public laundry or washhouse” in residential areas was a nuisance. As it happened, most laundries in Modesto were operated by Chinese residents. An operator named Hang Kei was arrested, and his case went to the Supreme Court, which found the ordinance legal.

To this day, zoning is a major tool of entrenched property owners who are trying to prevent land uses that will negatively affect their property prices. A 2018 study by researchers at Boston University’s **Initiative on Cities**⁵³ found that “individuals who are older, male, longtime residents, voters in local elections, and homeowners are significantly more likely to participate in these meetings.” How significantly? Participants in planning and zoning board meetings are 8 years older, have lived in the area six years longer, and have a male-to-female ratio of 57 to 43, whereas the general population is 49 to 51.

Toronto has similar demographics. In a 2016 report, staff of the City of Toronto’s planning department admitted that “a disproportionate number of the people we engage in city planning processes tend to be white, male, homeowners, and over the age of 55.”⁵⁴ While no data was provided on this specific claim, anecdotally we believe the average age to be well over 55.

THE POLITICAL ECONOMY OF PLANNING: WHO BENEFITS?

The purpose of zoning has always been to protect homeowners from economic competition. Homeowners, displeased with new residents (often immigrants and minority groups) experimenting with new living and working conditions, leveraged their incumbent status as politically active voters to agitate for government regulation to restrict economic activity.

To this day, it is primarily these same factors at play in zoning debates: older, incumbent homeowners leveraging their political clout against changes that would benefit new residents—namely, more options for living arrangements, more options for working arrangements, and lower prices for everyone.

This story is exemplary of two economic concepts: rent-seeking, and concentrated benefits with dispersed costs.

Let’s begin with rent-seeking. This ill-named concept has nothing to do with the rents landlords collect from tenants. In economic parlance, “rent” in this sense refers to gains derived from special, political privileges. These gains could be either direct or indirect.

52 Whitnall, Gordon. (1931). History of Zoning. *The Annals of the American Academy of Political and Social Science*, 155(2), 1–14.

53 Einstein, Katherine Levine, Maxwell Palmer, and David Glick. “Who Participates in Local Government? Evidence from Meeting Minutes.” (2017).

54 City of Toronto. “Introducing the Inaugural Toronto Planning Review Panel: Guiding Document | 2016 - 2017.” January 2016. https://web.archive.org/web/20170329192620/http://www1.toronto.ca/City%20of%20Toronto/City%20Planning/Planning%20Review%20Panel/Downloads/TPRP_Guiding%20Values_Web.pdf



WHAT THE EXPERTS SAY

“Neighborhood is a word that has come to sound like a Valentine. As a sentimental concept, ‘neighborhood’ is harmful to city planning. It leads to attempts at warping city life into imitations of town or suburban life. Sentimentality plays with sweet intentions in place of good sense.”

JANE JACOBS,
author of *The Death and Life of Great American Cities*

A direct benefit is a direct subsidy for higher revenues, like a cash transfer. An indirect benefit is one that ostensibly hurts the rent-seeker. Upon closer inspection, however, the rent-seeker’s competitors are hurt more than it hurts the rent-seeker.

Rent-seeking, therefore, is the behaviour of lobbying the government for an economic [privilege to themselves](#)⁵⁵, as opposed to earning that gain through voluntary exchanges on the market.

An important lesson from rent-seeking is that it is costly. Individuals and firms have to spend real resources (that could have otherwise been used towards more productive ends) to lobby for their privileges.

Zoning is an example of rent-seeking behaviour with both direct and indirect benefits. Here, the existing homeowners directly benefit not only from the tranquil “neighbourhood” zones with limited traffic; and, in a growing city like Toronto, enjoy the indirect benefits of having less competition in the form of limited housing options. This allows them to command higher prices from buyers.

Of course, the politicians benefit too. Not only do they get to enjoy the votes of the existing residents (as people who can’t afford to live in a city can’t vote for its city councilors). Politicians also get to take advantage of what development does happen through the “community benefits” provisions outlined above: by purposely placing overly-restrictive zoning by-laws in place, they ensure that they will have a large supply of developers to line up to pay the re-zoning fees. This particular practice is also called “density bonusing”.

Another segment that benefits from the existence of zoning laws are the urban planners, consultants, tribunal adjudicators, and others that the municipality and private individuals must hire during the planning process. The more convoluted the ordinances, procedures, and protocols, the more in-demand these experts become, and the more they can charge.

To highlight just one example of the tensions in the current zoning by-law: a “semi-detached home” is defined as a building with two dwelling units side-to-side. A “duplex” has one dwelling unit atop another. A detached home that later adds a “secondary suite”, whether that places the two units side-to-side or one atop another, will not count as either a duplex or a semi-detached home. Furthermore, in an area zoned for triplexes within the Neighbourhoods land use designation, it’s possible that if a new triplex does not fit with the existing physical character of the neighbourhood, the new triplex may be denied.⁵⁶

55 Henderson, David R. “Rent Seeking.” The Library of Economics and Liberty. Accessed May, 2019. <https://www.econlib.org/library/Enc/RentSeeking.html>

56 An entirely separate report could be written on the absurdities involved in preserving “Neighbourhood character”. As a brief glimpse, read about how an application for a new triplex development was denied in an area already zoned for triplexes, see: Popper, George. “How city hall is keeping needed change out of ‘stable neighbourhoods.’” Spacing Magazine. March 5, 2019. <https://spacing.ca/toronto/2019/03/05/how-city-hall-is-keeping-needed-change-out-of-stable-neighbourhoods/>



What allows rent-seeking behaviour to persist is the nature of concentrated benefits with dispersed costs: the benefits accrue to the relatively small number of existing homeowners (and the incumbent politicians that serve them), while the costs are dispersed among the many new residents that have to pay higher prices to buy land, as well as the employers who have a harder time attracting new workers. Since the costs are spread out so thin among the many, this ensures that the incentives to maintain the status quo for the few who are heavily benefiting typically outweigh the incentives of the negatively affected parties seeking a change.

IS TORONTO FILLING UP? A LOOK AT URBAN DENSITY

Urban density is a city's population divided by its total area (including parks, roads, sidewalks, and even bodies of water).

Demographia [conveniently lists](#)⁵⁷ the population densities of the largest urban areas in the United States using data from the US Bureau of the Census. Surprisingly, in almost all major urban areas in the United States, population density has actually consistently decreased since 1950. Only Fort Lauderdale, Las Vegas, and Riverside-San Bernardino have seen increases in population densities.

Toronto has bucked the trend: according to data from [Statistics Canada](#)⁵⁸, population density here has increased from 3,972 people per square kilometre in 2006 to 4,334 in 2016.

Does this mean that Toronto is filling up rapidly, which explains the rise in housing prices? Not exactly. We'd like to argue that the distribution of urban density matters a great deal, too. The distribution of urban density tells a much different story. Despite the overall increase in density, a large portion of Toronto has actually seen its population decline.

Of the 572 census tracts that make up Toronto, a whopping 39% have seen population declines since 2011. Keep in mind that according to the Census, the population of Toronto increased by over 115,000 people. Over the same time, only 18% of Toronto's census tracts increased in population by 10%. This matches up almost perfectly with the fact that only 21% of the city is zoned for multi-unit residential homes.

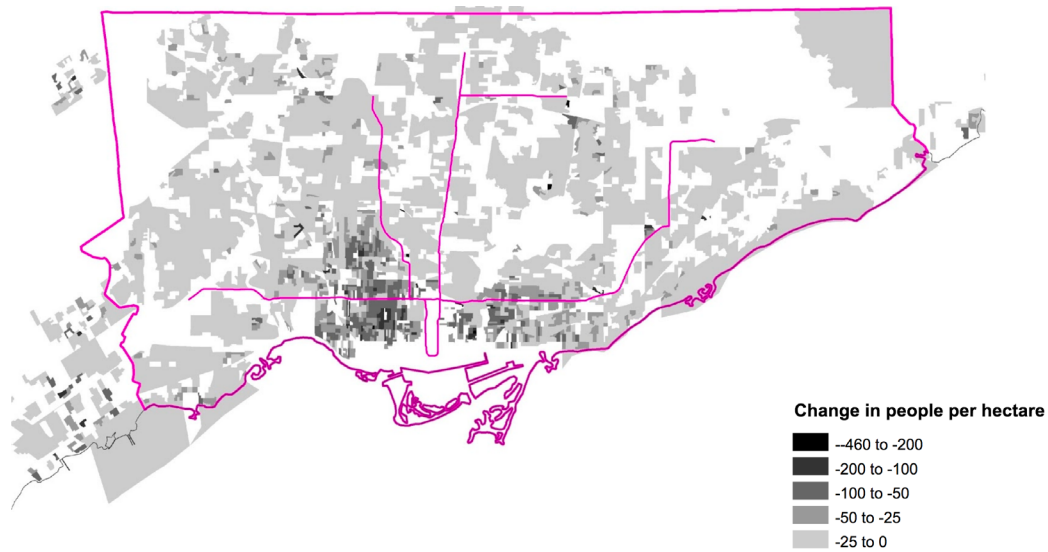
This is not a new trend. It goes back at least five decades. Again using census data, geographer Anna Kramer maps all the areas of the city that have lost population since 1971.⁵⁹ Huge swaths of land all over the city, from virtually all land between Queen Street and the Bloor subway line, to nearly the entire Midtown, as well as large parts of the suburbs of Etobicoke, nearly the entire old city of York, as well as North York. Once again, these declines in population line up with the boundaries of the Yellowbelt.

Indeed, the darkest areas of the map are roughly bordered by High Park, Queen Street, Dupont Street, and Avenue Road. This region has largely lost between 50 to 460 people per hectare.

57 Demographia. "Urban Areas in the United States: 1950 to 2010 Principal Urban Areas in Metropolitan Areas Over 1,000,000 Population in 2010." Demographia, demographia.com/db-uza2000.htm.

58 Laffin, Paul, and Heath Priston. City of Toronto, Statistics Canada, Nov. 2017, www.toronto.ca/wp-content/uploads/2017/11/9732-Census-Concepts-Toronto-Profile-May-3-Update.pdf.

59 Kramer, Anna. Inside and Outside: A meditation on the Yellow Belt. Chapter in *House Divided*, edited by John Lorinc, Alex Bozikovic, Cheryll Case and Annabel Vaughan. Coach House Books, Toronto, June 2019, pp 140-151.

Figure 11**Population density lost between 1971 and 2016**

Source: Kramer, Anna. "Inside and Outside: A meditation on the Yellow Belt." Chapter in *House Divided*, edited by John Lorinc, Alex Bozikovic, Cheryll Case and Annabel Vaughan. Coach House Books, Toronto, June 2019, pp 140-151.

This area represents roughly 1500 hectares. If we add a mere 100 people per hectare to that area, we could fit another roughly 150,000 people in a highly walkable part of town that's already serviced by roads, mass transit, jobs, libraries, and other utilities.

On that note, what is the state of public utilities in these areas? Most Torontonians would guess that utilities are being utilized more than ever. In fact, much of Toronto's public services have seen major declines in usage, despite the fact that the population of the city has increased by 16%, or over 400,000 people, between 2006 and 2019.

First, TTC paid ridership has been [declining overall](#)⁶⁰ since 2012, . This is despite the massive increase in population to the city, and the fact that major stations are suffering from overcrowding. (While the TTC itself attributes this decline in ridership to services like Uber, we think that Figure 11 holds a key insight to the answer to this puzzle.)

60 Toronto Transit Commission. "CEO's Report." October 2018, p. 9. https://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2019/July_10/Reports/1_CEO_Report_July_Update.pdf



Moreover, total [water consumption declined](#)⁶¹ by 24% between 2005 and 2012; total in-branch [library usage](#)⁶² has declined 18% from 2011; and the Toronto Police Service has [had declining numbers](#)⁶³ of uniformed as well as civilian staff since 2013.

Wastewater consumption is declining as well. All four of Toronto's water treatment plants have seen declines in total annual flows from 2008. From 6% at [Highland Creek](#),⁶⁴ to 16% in [Ashbridge's Bay](#)⁶⁵ and [Humber](#)⁶⁶, to 36% in [North York](#)⁶⁷ (see Appendix C in all the reports).

Meanwhile, nearly [1 in 5 schools](#)⁶⁸—130 overall—in the Toronto District School Board are operating at under 65% capacity. Enrollment has been [dropping overall](#) in Ontario's public secondary schools since 1999.

On the other hand, fire services have [been growing](#)⁶⁹ steadily over time; and while Toronto Hydro delivered 2.3% more electricity in [2018](#)⁷⁰ than [2011](#)⁷¹, their total customer base increased 9.8% to 779,000 from 709,000.

Thus, despite the massive growth in the population of the city, many services are shockingly operating below capacity. We believe this is due to the uneven distribution of the new residents, where nearly all the new population growth has been squeezed into the downtown core, midtown core, and a handful of other pockets.

There is plenty of available land that used to house a lot of neighbours, and is already serviced by below-capacity public services. Despite this, more people are trying to fit into a smaller portion of land in Toronto, requiring new service. Why? We believe the biggest culprit to this uneven density are the policies in the City of Toronto's Official Plan.

61 Bennett, Jeff. "Price Works: Seasonality and Determinants of Toronto's Amazing Decline in Water Demand." Sustainable Prosperity. December 2013. <https://institute.smartprosperity.ca/sites/default/files/price-works-seasonality-and-determinants-torontos-amazing-decline-water-demand.pdf>

62 Toronto Library Services. "2017 Annual Performance Measures and Benchmarking." April 30, 2018. <https://www.torontopubliclibrary.ca/content/about-the-library/pdfs/board/meetings/2018/apr30/17-2017-annual-performance-measures-and-benchmarking-combined.pdf>

63 Toronto Police Service. "2017 Annual Statistical Report." <http://www.torontopolice.on.ca/publications/files/reports/2017statsreport.pdf>

64 Toronto Water. "Highland Creek Treatment Plant 2018 Report." https://www.toronto.ca/wp-content/uploads/2019/05/8f2c-THC-Annual-Report-2018_FINAL_ecopy.pdf

65 Toronto Water. "Ashbridge's Bay Treatment Plant 2018 Report." <https://www.toronto.ca/wp-content/uploads/2019/05/8f0f-2018-TAB-Annual-Report-FINAL-ecopy.pdf>

66 Toronto Water. "Humber Treatment Plant 2018 Report." https://www.toronto.ca/wp-content/uploads/2019/05/8f2c-THR-Annual-Report-2018_FINAL_ecopy.pdf

67 Toronto Water. "North York Treatment Plant 2018 Report." https://www.toronto.ca/wp-content/uploads/2019/05/972a-TNT-Annual-Report-2018_FINAL_ecopy.pdf

68 Howlett, Karen and Sahar Fatima. "One in five Toronto Schools Targets for Possible Closing." The Globe and Mail. January 28, 2015 (last updated May 12, 2018). <https://www.theglobeandmail.com/news/toronto/the-full-list-of-tdsb-schools-at-65-per-cent-or-less-capacity/article22695406/>

69 Toronto Fire Services. "2018 Annual Report." https://www.toronto.ca/wp-content/uploads/2019/04/8e80-A1902231_TFSAnnualReport2018_WEB.pdf

70 Toronto Hydro. "2018 Annual Report." <https://www.torontohydro.com/documents/20143/295817/Annual-Report-2018.pdf>

71 Toronto Hydro. "2011 Annual Report." <https://www.torontohydro.com/documents/20143/339142/Annual-Report-PDF>



MAPPING THE YELLOWBELT

According to the Government of Ontario,⁷² a municipality's Official Plan "provides a framework for establishing municipal zoning by-laws". Toronto's zoning by-laws implement the policies of the Official Plan with respect to land use. A "Neighbourhood" is one of 8 land use designations in Toronto defined in the Official Plan. (The other 7 are: Apartment Neighbourhoods, Parks and Open Space Areas, Utility Corridors, Mixed Use Areas, Employment Areas, Regeneration Areas, and Institutional Areas.)

Within a Neighbourhood, any new development must (among other requirements) "respect and reinforce the existing physical character of the area."

Toronto has created five separate zones within the Neighbourhoods land use: RD (Residential Detached), RS (Residential Semi-detached), RT (Residential Townhouse), RM (Residential Multiple), R (Residential).

A detached home used to be defined as a single-family dwelling. But recent changes to the law now allow "secondary suites" that permit more than one family to live in the same building. RS, RT, and RM Zones designated R allow for all housing types up to 4-storey fourplex walk-up apartments.

The City of Toronto [publishes data](#)⁷³ on its zoning by-laws. Using this data, we have constructed our own map of the Yellowbelt using open-source GIS software, and have been able to do some analysis on the usage as a percentage of land.

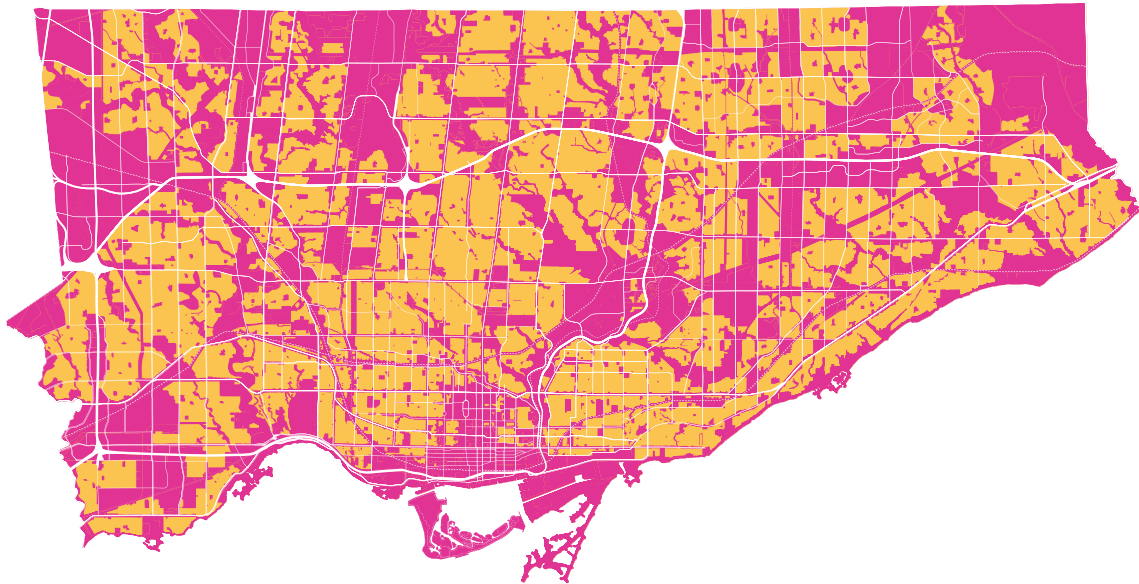
Neighbourhoods make up nearly 47% of all of the city of Toronto. In a map of all Toronto's residential zones, RD makes up two-thirds of all of Toronto's Neighbourhoods. This means that in 32% of the entire city—including parks, rivers, industrial zones, and roads—the only new developments allowed are detached homes.

⁷² Ministry of Municipal Affairs and Housing. Official Plans. Ministry of Municipal Affairs and Housing, www.mah.gov.on.ca/Page1759.aspx.

⁷³ City of Toronto. "Zoning Bylaw." Open Data Portal. <https://portal0.cf.opendata.inter.sandbox-toronto.ca/dataset/zoning-by-law/>

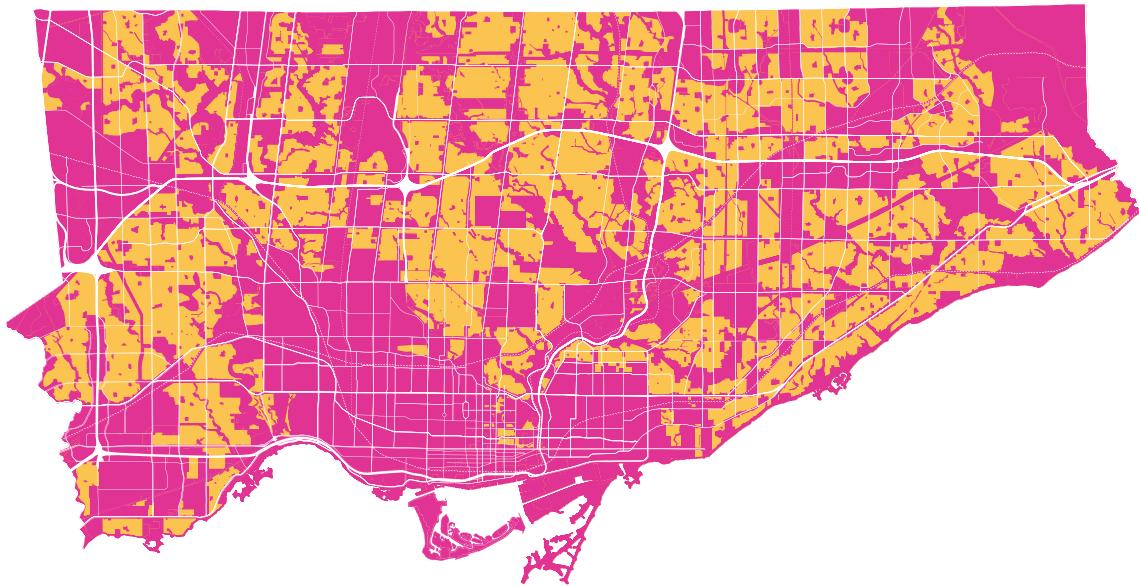


Figure 12
The Yellowbelt



The R, RD, RS, RT, and RM zones that make up the Yellowbelt. This is 47% of Toronto's entire landmass.

Figure 13
The RD Zone



The RD zone. This is 32% of Toronto's entire landmass.



Excluding utility corridors, major highways and arterial roads, natural areas, parks and open space areas from the landmass calculation puts "Neighbourhoods" at 63% of the remaining developable land. Further excluding institutional and employment lands within which no residential development is permitted, puts "Neighbourhoods" at 85% of the relevant landmass which can be developed for residential uses.

Figure 14

PERCENTAGE OF TOTAL LAND MASS FOR SELECT ZONES IN TORONTO		
ZONES	AREA	PERCENT OF TOTAL LAND MASS
City-wide Total	630 km²	100%
All Residential Zones (R, RD, RS, RT, RM)	300 km ²	47.6%
Residential (R)	42 km ²	6.7%
Residential detached (RD)	200 km ²	31.9%
Residential Semi (RS)	14 km ²	2.1%
Residential Townhouse (RT)	9 km ²	1.5%
Residential Multiple (RM)	35 km ²	5.6%
Residential Apartment (RA)	21 km ²	3.3%
Commercial Local (CL)	1 km ²	0.2%
Mixed Use (CR, CRE)	33 km ²	5.2%
Employment Lands (E, EC, EH, EL, EO)	90 km ²	14.2%
Institutional Lands (I, IE, IH, IPW, IS)	14 km ²	2.1%
Utility Lands (UL)	33 km ²	5%
Recreational Areas/Parks (O, OC, OG, OM, ON, OR)	115 km ²	18.3%
Unassigned land	35 km ²	5.5%
Land available for housing development (R, RD, RS, RT, RM, RA, CR, CRE)	354 km ²	56.2%

Source: Compiled from City of Toronto's Open Data Catalogue: <https://portal0.cf.opendata.inter.sandbox-toronto.ca/dataset/zoning-by-law/>. Zone areas do not add up to 630 km² due to rounding error.



POLICY GUIDELINES FOR NEIGHBOURHOODS IN THE OFFICIAL PLAN

1. Neighbourhoods are considered physically stable areas made up of residential uses in lower scale buildings such as detached houses, semi-detached houses, duplexes, triplexes, and townhouses, as well as interspersed walk-up apartments that are no higher than four storeys. Parks, low scale local institutions, home occupations, cultural and recreational facilities, and small-scale retail, service, and office uses are also provided for in Neighbourhoods.

Low scale local institutions play an important role in the rhythm of daily life in Neighbourhoods and include such uses as: schools, places of worship, community centres, libraries, day nurseries and private home daycare, seniors and nursing homes and long-term care facilities, public transit facilities, utility and telecommunications installations, and public services and facilities provided by the local, provincial and federal governments.
2. Schools will provide open space for outdoor student activities and landscaping and will be designed and operated to limit noise, privacy and traffic impacts on neighbouring residents.
3. Small-scale retail, service, and office uses are permitted on properties in Neighbourhoods that legally contained such uses prior to the approval date of this Official Plan. New small-scale retail, service, and office uses that are incidental to and support Neighbourhoods and that are compatible with the area and do not adversely impact adjacent residences may be permitted through an amendment to the Zoning By-law, where required, on major streets shown on Map 3, with the exception of portions of streets which have reversed lot frontages. To maintain the residential amenity of Neighbourhoods, new small-scale retail, service and office uses will: a) serve the needs of area residents and potentially reduce local automobile trips; b) have minimal noise, parking or other adverse impacts upon adjacent or nearby residents; and c) have a physical form that is compatible with and integrated into the Neighbourhood.
4. Apartment buildings legally constructed prior to the approval date of this Official Plan are permitted in Neighbourhoods.
5. **Development in established Neighbourhoods will respect and reinforce the existing physical character of the neighbourhood**, including in particular:
 - a) Patterns of streets, blocks and lanes, parks and public building sites;
 - b) Size and configuration of lots;
 - c) Heights, massing, scale and dwelling type of nearby residential properties;
 - d) Prevailing building type(s);
 - e) Setbacks of buildings from the street or streets;
 - f) Prevailing patterns of rear and side yard setbacks and landscaped open space;
 - g) Continuation of special landscape or built-form features that contribute to the unique physical characteristics of a neighbourhood; and
 - h) Conservation of heritage buildings, structures, and landscapes.

No changes will be made through rezoning, minor variance, consent or other public action that are out of keeping with the physical character of the neighbourhood. The prevailing building type will be the predominant form of development in the neighbourhood.

Some Neighbourhoods will have more than one prevailing building type. In such cases, a prevailing building type in one neighbourhood will not be considered when determining the prevailing building type in another neighbourhood.

6. Where a more intense form of development than the prevailing building type has been approved on a major street in a Neighbourhood, it will not be considered when reviewing prevailing building type(s) in the assessment of development proposals in the interior of the Neighbourhood.
7. Proposals for intensification of land on major streets in Neighbourhoods are not encouraged by the policies of this Plan. Where a more intense form of residential development than that permitted by existing zoning on a major street in a Neighbourhood is proposed, the application will be reviewed in accordance with Policy 5, having regard to both the form of development along the street and its relationship to adjacent development in the Neighbourhood

The policy that enables the Yellowbelt.

Source: Toronto Official Plan, Chapter 4. June 2015. (Emphasis added.)

III. Gentle Density and the Missing Middle

Given that (1) more people want to move to Toronto, (2) we are not building enough homes, as evidenced by rapidly rising housing prices, and (3) the Yellowbelt represents a huge part of the city that has in fact lost population over the last five decades, we believe it is time to unlock and shrink the Yellowbelt.

By “unlock” the Yellowbelt, we mean to consolidate the zoning distinctions between different types of residential housing. In particular, we want the Yellowbelt to allow the construction of all housing types up to a fourplex as-of-right.





By “shrink” the Yellowbelt, we mean to replace parts of it with more mixed-use zoning. In general, enabling the development of more shops and offices (ground-level and above), mid- and high-rise condos, and anything in between.

Both of these measures will mean more availability of homes, as well as increasing affordability as a result. But how to achieve this? Is it only possible through huge condo projects? Or is there another way?

As calculated in the previous section, nearly half of all the land in Toronto is currently supplied with low-rise housing. Adding high-rise condos to this land may be impractical for many reasons; however these houses here could be fairly quickly converted to more densely-populated low-rise housing. That’s why we believe that the vast majority of housing must come through much smaller housing developments that provide “gentle” density. We are referring to duplexes, triplexes, fourplexes, and row homes, as well as low-rise apartment buildings up to 4 storeys.

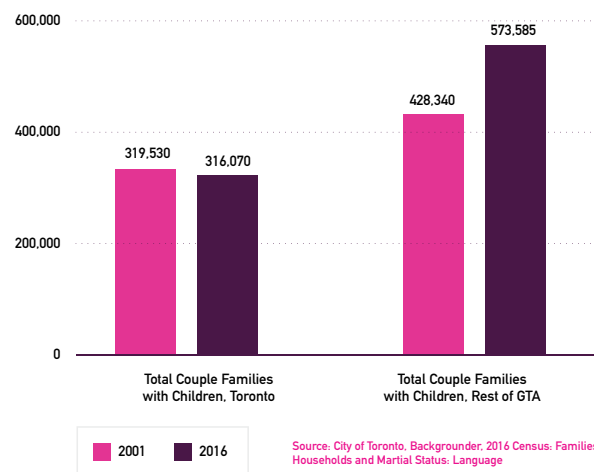
ADDRESSING THE MISSING MIDDLE

If we want more people to have housing in Toronto, we’re going to need to build more housing. If we don’t, not only will we see the continuing rise of unaffordability in the form of accelerating home prices, bidding wars, low rental vacancy rates, and the problems facing employers as outlined above.

We believe that enabling “missing middle housing” in The Yellowbelt provides the largest opportunity to address Toronto’s housing affordability crisis. While concentrated high-density condominium developments also contribute to increasing the housing stock, the Yellowbelt accounts for the vast majority of Toronto’s land mass and provides the largest room for improvement. It is currently extremely low density but remains close in proximity to public transit, services, and amenities.

“Missing middle housing” can have many meanings. Some use the term to refer to the fact that while cities have a lot of options for individuals with very low incomes and very high incomes, housing for middle-income types is relatively scarce.

Figure 15
Couple Families with Children



Source: City of Toronto, Background, 2016 Census: Families, Households and Martial Status: Language

Others refer to the phenomenon that cities tend to be peopled with young singles or older couples, but relatively few middle-aged families.

The definition we prefer is the “middle density” housing between a single detached home and a mid-rise condo because we believe it best captures all three aspects of “middle”. There are plenty of single detached homes, plenty of high-rise condos, and even a good number of mid-rise condos. But Toronto is missing a whole variety of homes smaller than a mid-rise but capable of housing more than one family. This would include semi-detached homes, triplexes and fourplexes, townhouses and stacked townhouses, and courtyard apartments.



Coincidentally, all these problems—missing middle density housing, missing middle-income households, and missing middle-aged families—can be solved by easing regulations of the quantity and variety of housing that can be supplied. By increasing housing supply, and allowing more varieties of living arrangements, more diverse household types—be they for young families, middle-income folks, or low-density multi-family homes—can be accommodated in a city.

Figure 16
Different Types of Housing



BENEFITS OF “GENTLE DENSITY”

“Increasing the population density of neighbourhoods with ‘missing middle’ housing types” is a mouthful. To keep things breezy, we are going to refer to this as “gentle density.”

We have already made the case that gentle density, by increasing the supply of housing, will increase affordability. If the land is too expensive for one family to live, it will be more affordable by making it possible to share the cost with two or more other families.

As housing becomes more affordable in the city, this will reduce suburban sprawl. This reduction in sprawl will reduce the need for cars, and enable and empower more citizens to walk, bicycle, or take public transit to work. It will reduce travel times, reduce traffic, reduce pollution, and increase the time spent with family, friends, and places people actually want to be.

Thus, beyond addressing the core issue of housing availability and affordability, gentle intensification delivers a broad array of economic, lifestyle, and environmental benefits. Intensification is a healthy way to manage a city’s growth.



WHAT THE EXPERTS SAY

“We definitely have a variety of problems related to housing. The lack of available variety is absolutely one of them, and the general prohibition to build more variety is another.”

SEAN GALBRAITH,
urban planner at Galbraith % Associates
in Toronto

“The millennials are now moving into their mid-30s. They’re married or with partners. They’re having children. They want low-density housing. Singles are out of the range for a lot of people unless they want to go way, way out (of Toronto). Townhouses are the next best thing.”

FRANK CLAYTON,
Economist at the Centre for Urban
Research and Land Development

GENTLE INTENSIFICATION WILL HELP KEEP TORONTO YOUNG

As we mentioned above, the City of Toronto is ageing faster than the rest of the GTA. The reason for this is that Torontonians who are old enough to have a steady income and young enough to be at the age of starting a family cannot afford to live in the city. They especially cannot afford to live in the city and support a child. So they are moving out of the city—and taking their spouses and children with them.

By replacing single homes with multi-family homes, the increase in affordability will help keep young families in the city.

GENTLE DENSITY AND WALKABILITY

By reducing the Yellowbelt, not only will the resulting gentle intensification create beauty that one can stand and look at. The joy of walking can return to Toronto’s neighbourhoods.

Through intensification, we create a more compact city by reducing the need for large, homogeneous block sizes. To illustrate this point, let us adapt an example from Jane Jacobs⁷⁴.

Imagine a visitor to Toronto wants to make the 1 km walk from the corner of King and Spadina back to his hotel at the Shangri-La. Because of the small block sizes in the Old City of Toronto, she has numerous options for walking paths to take. All in all, she has 39 different paths to make that 1 km walk.

These smaller block sizes allow for a vibrancy deriving from a diversity of usage, as opposed to a diversity of superficialities. Gentle intensification, in the form of more row homes, triplexes and fourplexes, and courtyard apartments, give a functional reason for different forms.

But someone who lives a block away from Avenue Road on St. Germaine, and wants to make the 1 km walk to the subway stop at Lawrence and Avenue, the large block sizes limit him to one route to take. Every other path would be longer than 1 km.

⁷⁴ Jacobs, Jane, 1961. The death and life of American cities. (pp. 178-186)



BEYOND WALKABILITY: AGGLOMERATION ECONOMIES AND GENTLE DENSITY

By increasing urban density, lower housing prices are not the only benefits to look forward to. Economists typically describe these benefits as “agglomeration economies.” These are the wealth-creating effects that accrue as more people cluster together and trade. Indeed, in addition to this, there are at least four other benefits of city building that are worthy of mention.

CITIES ENABLE ENTREPRENEURSHIP

There are two ways in which cities enable entrepreneurship, but first let’s define our terms. Most obviously, we need to define entrepreneurship. With a firm being understood as an organization of labour and capital, an entrepreneur is someone who creates a new firm. Entrepreneurship can be measured by either the number of firms, or by [the number of self-employed individuals](#).⁷⁵

We also need to define a city. A city is an [easily traversable](#)⁷⁶ cluster of homes and businesses. The ease of travelling from home to work is a market (as opposed to political) phenomenon, best captured by the idea that commuters still have leisure time before or after work. A region where residents only have time to commute, work, and sleep is not so much a city, as it is a prison camp.

How do cities enable entrepreneurship? Cities are a large concentration of people that can easily interact with each other, along with a large concentration of wealth and capital.

Since people have different tastes, ideas, ideals, attitudes, and wealth, the larger population provides more for not only trade, but also for experimentation of new product types and new organizational structures. Moreover, cities are also a concentration of wealth and capital. This provides the funding and the tools needed to invest, develop, and launch a new firm.

In other words, the more people you can reach, the more potential customers you can reach. The more potential customers you have, the more likely you are to start a business. The more wealth and capital there is, the more likely your business will be successful in bringing a product to market.

In the words of the well-traveled urban planner Alain Bertaud, cities are primarily labour markets. The process outlined in the previous paragraph is a self-fueling cycle. The more entrepreneurs there are, the more people will seek to move there in order to work and earn a living. The more people there are making high incomes, the more entrepreneurs and other investors are attracted to the city to launch new businesses.

Cities, as super-connected economic areas, allow for the mobility required for many job seekers and employers to quickly find matches to fill positions, and also find customers, collaborators, entertainers, and friends, lovers, and other like-minded individuals.

⁷⁵ Glaeser, Edward L. “Entrepreneurship and the City.” NBER Working Paper Series. October 2007. <https://www.nber.org/papers/w13551.pdf>

⁷⁶ Bertaud, Alain. “Cities as labor markets.” Marron Institute on Cities and the Urban Environment, New York University (2014). <https://pdfs.semanticscholar.org/2ed3/64242ef0d00f9c15a2a243f9249204a2aa7a.pdf>



CITIES AND INNOVATION

As we become more dependent on each other, and rely less on ourselves, we are engaging in a process called the division of labour.

The division of labour is the specialization of people into different types of work, breaking down large tasks into smaller ones. By specializing and trading, we can produce more than remaining autarkic generalists. Adam Smith, who many regard as the father of modern economics, described how a factory with ten people (with each person specialization in two or three different tasks) can make thousands of pins per day, while a single person trying to do to everything himself would be [lucky to make a single pin](#).⁷⁷

It is the division of labour that enables such a wide variety of employment opportunities in big cities. Where else other than a city of millions can a software engineer, a lighting specialist, an indoor cycling instructor, and a lawyer all offer their services in the same building?

The process doesn't stop there. By having many people working and living in close proximity to each other, the opportunities for innovation greatly increase. Innovation comes from the sharing of ideas. This is because in cities, the vast confluence of people of different backgrounds enables [ideas to "have sex"](#)⁷⁸—by mixing different ideas together, you get the chance to both reproduce existing ideas and thereby prolonging their genetic ancestry, you also produce all kinds of new ideas as combinations and inspirations of old ones.

CITIES AND POVERTY

This point directly flows from the previous two. The more income people have, the less impoverished they are. The more jobs there are, the more experienced and connected locals can move up to find higher paying jobs, while inexperienced immigrants will want to move into the city.

The more people move into a city, the more ideas can reproduce and mutate into new ideas. The more new ideas there are—along with the rich pools of labour and capital—the more opportunities for creating even more jobs and paying even higher salaries to attract more employees.

As Harvard economist Edward Glaeser put it, "Cities don't make people poor, they attract poor people."⁷⁹ And the reason the poor and impoverished move into cities is because of the opportunities they provide to allow economic advancement.

77 Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations*. 1776. Chapter 1, page 1.). https://en.wikisource.org/wiki/The_Wealth_of_Nations/Book_1/Chapter_1

78 Shermer, Michael. "When Ideas Have Sex." *Scientific American*. June 1, 2010. <https://www.scientificamerican.com/article/when-ideas-have-sex/>

79 ManyThings.Org.. "In Praise of City Living." Podcast, "This is American in VOA Special English." <http://www.manythings.org/voa/usa/533.html>



THE ENVIRONMENTAL IMPACT OF CITIES

The famed urbanist Jane Jacobs observed in the first chapter of her (perhaps most underrated) book [The Economy of Cities](#), “The most thoroughly rural countries exhibit the most unproductive agriculture. The most thoroughly urbanized countries, on the other hand, are precisely those that produce food most abundantly.”⁸⁰ Productivity in food production is to be understood as producing larger quantities, higher quality (i.e., more nutritional), as well as cost-effectiveness. This is merely an extension of the division of labour principle we outlined above.

As people and production become clustered in central locations, they allow land itself to also specialize and thereby become more productive. Just as it makes sense for Canadians to import pineapples from tropical countries (even though, technologically, it is possible to construct greenhouses to allow pineapple production in Canada), it follows from the same logic for cities in general to import food from afar, instead of engaging in the costly process of urban farming.

In this age of mass campaigns for “eating locally”, it may come as a surprise to some readers that it is possible that eating globally could be not only cheaper, but also more nutritious and with a lower per-unit transportation costs as well. For example, transoceanic freight emits between [one-thirtieth and one-hundredth](#)⁸¹ as much kilograms of CO₂ per passenger kilometre than trucks and vans. Regarding nutrition, it’s important to remember that eating local limits our fresh food options for [much of the year](#).⁸² This is because most local foods typically only grow in the summer, which lasts for only a quarter of the year. By shifting to a global diet, we effectively create a permanent summer—virtually quadrupling our access to nutritious, seasonal food.

By embracing the global food production chain, while also urbanizing, we will impart a smaller physical footprint on the Earth. And that “the smaller the total area in active human use on the planet, the more environmentally friendly the landscape.”

Humans working together is what enables great things to happen. By building more housing in cities, we are only setting ourselves—and future generations—up for success.

THE BENEFITS OF URBAN DENSITY: A RECAP

We detailed many benefits of increased density. By having more people in a city, the more ideas we can share, the stuff we can produce, and the more we can reduce waste and inefficiencies. Not only these economic benefits, but also the more personal benefits of increased walkability, more eyes on the street, and a general sense of liveliness and creativity.

80 Jacobs, Jane. *The Economy of Cities*. Vintage, 2016 (1969). Page 7. <https://books.google.ca/books?id=OaydDAAQBAJ&pg=PA7&ots=G2AGnUFU10&dq=%22the%20most%20thoroughly%20rural%20countries%20exhibit%22&pg=PA7#v=onepage&q=%22the%20most%20thoroughly%20rural%20countries%20exhibit%22&f=false>

81 Edwards-Jones, Gareth. 2010. “Does Eating Local Food Reduce the Environmental Impact of Food Production and Enhance Consumer Health?” *Proceedings of the Nutrition Society* 69 (4): 582-591. <https://www.cambridge.org/core/journals/proceedings-of-the-nutrition-society/article/does-eating-local-food-reduce-the-environmental-impact-of-food-production-and-enhance-consumer-health/C264A576782D7B79B95A47D50515B02A>

82 Desrochers, Pierre. “The Locavore’s Delusion. Truer Advertising for the Local Food Debate.” *Fair Observer* (September 21, 2013). https://www.fairobserver.com/region/north_america/locavores-delusion-truer-advertising-local-food-debate/



High-rise towers are not the only option for achieving density. It's also possible to have a more gentle, yet still sustainable, density that's more evenly distributed throughout the city. Buildings barely any larger than existing detached homes can house multiple families, as well as small businesses. This distributed approach to density will never be homogeneous throughout the city, as Alain Bertaud's work has shown. But by allowing people to set up homes in a broader swath of the city, planners can ensure that it's the people themselves that are determining what are the costs they are willing to bear, and what are the benefits they deem worthy of pursuing.

Does this mean building more homes is a panacea to all our social ills? Obviously not. There are many costs to city life: more crowded settings, higher land prices, smaller dwelling spaces, limited access to natural beauty, increased crime, and more. As more and more people choose city life over bucolic farms and the tidyness of suburbia, we must conclude that for these people the benefits outweigh the costs.

The only question for policy makers, then, is whether to embrace these preferences, or to fight them.

WHY EVEN LUXURY CONDOS HELP MAKE HOUSING CHEAPER OVERALL

Earlier in this report, we marked a distinction between housing affordability (referring to the market price of housing) and "affordable housing" (referring to housing sold at below-market prices). Many housing advocates agree that more housing supply is needed to increase housing affordability, but qualify their claims by specifying the need for the "right" supply—by which they mean more low-cost "affordable housing" units, as opposed to the albatross of "luxury condos."

There seems to be a simple logic here: by building more affordable housing units, this will provide more affordable housing options. This is undoubtedly true. And there is undoubtedly a need for purpose-built affordable housing. Still, there are two reasons that even the supply of new luxury homes would increase housing affordability and availability.

First, there is the concept that has come to be known as "filtering." The idea is the same as from the world of technology. Just as how, once upon a time, cell phones were playthings of millionaire elites, before becoming ubiquitous, indispensable tools in the everyday lives of ordinary people; new luxury units will, over time, appreciate less quickly than even newer builds in a city. This difference in rates of increase would compound over time, such that eventually what was a luxury unit becomes considered a moderate unit.

There are a few reasons why this would occur. Most obvious is through general wear and tear of the structure. Older buildings are less desirable to live in, and so will be cheaper than newer ones. Another reason could be that the neighbourhood the homes are in changes. What once used to be a trendy up-and-coming area, might become considered suddenly uncool. This, in brief, is how filtering works.

The second way that new luxury supply increases affordability and availability is, simply, because it increases supply! Recall the reason housing is expensive in the first place: there are more people looking to buy homes in the area than there are homes for sale. Luxury housing supplies more homes for sale, and as a result would lower housing costs for everyone. This is because as housing is a market like any other, sellers are competing for consumer dollars. Just like any other market, the more competition there is, the lower prices will be (and the higher quality will become).



Luxury housing competes with moderate housing the exact same way that an iPhone competes with a Nokia, or filet mignon competes with chuck steak: precisely because they serve different segments of the market, they prevent spillovers from high income buyers being pushed to bid away lower-quality units from low-income buyers. By allowing the market to build as much luxury housing as it can sell, this frees up land and other existing (if slightly less luxurious) housing for lower-income groups.

Limiting the supply of luxury homes through overly-restrictive land-use rules the Yellowbelt effectively limit competition. This results in higher prices and fewer housing options for everyone, as high-income individuals will bid away housing that would otherwise have been available for someone else.

To be clear, the purpose of this section is not to argue against the need of affordable housing options. Nor or are we trying to argue that the only way forward is to strictly build more luxury condos. Far from it. Rather, the point is to simply highlight the fact that allowing more supply, even if that supply is luxury housing, then that in fact leads to both immediate and long-term benefits in terms of affordability and availability. Gentle density, as we envision it, would not be predominantly luxury housing. Gentle density would, however, represent a significant increase in the supply of homes, the competition for buyers, and would result in lower prices for more people.



IV. Conclusion

Toronto is a quickly growing city, full of opportunities. However, its growth is being limited by its zoning laws, which prevent more homes from being brought to market. Zoning laws are the primary cause of the increasing housing unavailability, which in turn leads to the increasing unaffordability.

If changes are not made to the zoning by-laws, the continued effects of restricting the supply of housing on affordability and availability will only get worse. As Toronto competes to attract more businesses, it must also compete to attract people to live here to work for and patronize those businesses. While it's true that other major hubs in the world are also plagued by the issues of rising rents and prices, Toronto doesn't have to follow their model. Toronto has an opportunity to lead by example.

Within the Yellowbelt, there is space to build. If construction activity in Toronto responded to price increases to the extent that it does in Montreal, Edmonton, and Calgary, economist Diana Petramala [estimates](#)⁸³ that we would have seen an additional 18,000 to 30,000 homes built between 2010 and 2016.

This squeeze on housing isn't just hurting renters, young families, and others looking to settle down in the city. **Employers are hurt too.** Rising housing costs put pressure on low- and moderate-income workers, as they struggle to afford the basic costs of living. This is evidenced by a recent poll from the [Toronto Region Board of Trade](#)⁸⁴, where 42% of young professionals are considering leaving the Greater Toronto and Hamilton Area due to rising home costs. The economist [Raven E. Saks](#)⁸⁵ found in a 2008 study found that "[c]learly, in the long run, metropolitan area employment is strongly tied to the availability of housing". If housing is unavailable, then employment will be become unavailable, too.

Finally, city officials can't expect the population to keep booming undaunted by the lack of affordability, and the problems associated with it. In fact, there is an ongoing precedent for this phenomenon happening just south of the border. Indeed, in the last decade, New York, Los Angeles, and Chicago, have seen an mass exodus of their residents⁸⁶ to smaller, more affordable cities. A similar fate could fall on Toronto, if policymakers don't act quickly enough.

83 Petramala, Diana. "CMHC Report Highlights the Importance of Supply to Making Housing Affordable Again." Centre for Urban Studies, 23 Feb. 2018, www.ryerson.ca/cur/Blog/blogentry24/.

84 Gill, Patrick, and Jeff Parker. Housing Policy Playbook. Toronto Board of Trade, 2018, www.bot.com/Portals/0/Agenda%20For%20Growth_Housing%20Policy%20Playbook_FINAL_HR.pdf.

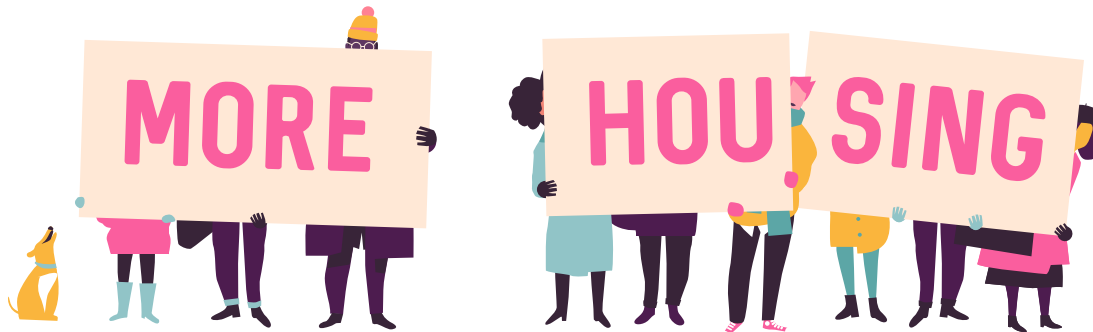
85 Saks, Raven E. "Job creation and housing construction: Constraints on metropolitan area employment growth." Journal of Urban Economics 64, no. 1 (2008): 178-195.

86 Thompson, Derek. "Why Are America's Three Biggest Metros Shrinking?" The Atlantic. September 9, 2019. <https://www.theatlantic.com/ideas/archive/2019/09/americas-three-biggest-metros-shrinking/597544/>

By unlocking the Yellowbelt, Toronto will release the potential of tens of thousands of people of all income groups to find new places to live, own their homes, and face reasonable rent conditions. This does not require complicated intergovernmental “partnerships,” sophisticated new by-laws, or forced inclusion. Simply allow more housing to be built.

As we see it, Toronto has two choices. Either we continue with the status quo, where the median household has to pay more than half of their pre-tax income to live in a 2-bedroom apartment. Or, Toronto can take the action needed to address this crisis head-on: Let people build more housing.

WE’RE GOING TO NEED TO BUILD



V. Detailed Policy Proposal



OVERVIEW

While we believe that all three levels of government can contribute to help solve the housing crisis, the fastest changes can come from the municipal level. To clarify precisely what is needed and how it can be achieved, this section is to highlight some policies that are possible and desirable.

The primary objective of the Official Plan of the City of Toronto should be to recognize that Toronto is a growing city, with growing desirability as both a place to live and a place to work, and then facilitate the development needs for this growth by not actively obstructing progress. This is not the whimsical wish of some greedy capitalists. This is, in fact, the language of the latest version of the Provincial Policy Statement (published in 2014):

"Planning authorities shall provide for an appropriate range and mix of housing types and densities to meet projected requirements of current and future residents of the regional market area."

To achieve this objective, we provide five detailed policy changes.

One important thing to note about our proposals, is that we are calling for specific liberalizations of policy, not specific forecasts of market or sociological outcomes. Just because something is legal to do, does not mean there will be a rush to do it. Although to be clear, we believe that under current demand conditions in Toronto, permitting people to build more housing will result in more housing built.

If all our policy recommendations are followed, then we believe that not only would they legalize gentle density throughout the entire Yellowbelt, but they would also drastically increase the amount and distribution of mixed-use (live-work) commercial and residential areas.

There are many other downstream effects that come from unlocking and shrinking the Yellowbelt. We have covered many of those benefits in the above report. The longer we delay in instituting these changes, the longer we deprive ourselves of the wealth, innovation, and community building that comes with a growing, economically free city.



POLICY #1

Update the Official Plan: Remove the language on preserving the physical character of neighbourhoods.

The biggest impediment to building in Toronto is the ideology behind the “Neighbourhoods” section of the Official Plan. In particular, Policy 5:

5. Development in established Neighbourhoods will respect and reinforce the existing physical character of the neighbourhood, including in particular:
 - a) patterns of streets, blocks and lanes, parks and public building sites;
 - b) size and configuration of lots;
 - c) heights, massing, scale and dwelling type of nearby residential properties;
 - d) prevailing building type(s);
 - e) setbacks of buildings from the street or streets;
 - f) prevailing patterns of rear and side yard setbacks and landscaped open space;
 - g) continuation of special landscape or built-form features that contribute to the unique physical characteristics of a neighbourhood; and
 - h) conservation of heritage buildings, structures, and landscapes.

No changes will be made through rezoning, minor variance, consent or other public action that are out of keeping with the physical character of the neighbourhood. The prevailing building type will be the predominant form of development in the neighbourhood.

Some Neighbourhoods will have more than one prevailing building type. In such cases, a prevailing building type in one neighbourhood will not be considered when determining the prevailing building type in another neighbourhood.

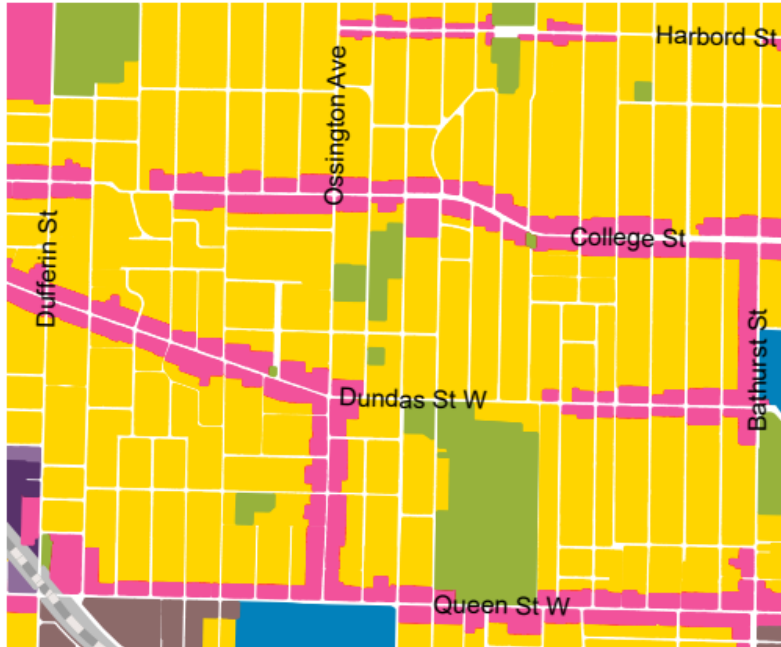
We propose that this entire policy be removed from the Official Plan. To “respect and reinforce the existing physical character of the neighbourhood” especially limits diversity in housing types. As a case in point, half of the downtown core is zoned R, which allows for any housing type up to four storeys. However, since the existing physical character of these neighbourhoods is predominantly detached or semi-detached homes, it effectively becomes impossible to build anything more dense. By updating the language to include any residential building of any type, this would free up these neighbourhoods for more development with a re-zoning process.

POLICY #2

Update the Official Plan: Redesignate all land along all major and minor arterials from Neighbourhood to Mixed Use.

Figure 18

Zoning around Ossington Avenue



Source: Official Plan Land Use Map 18

Major and minor arterials are defined by the City of Toronto as roads that carry between 5,000 and 40,000 vehicles per day. Currently, for much of the city, only the properties facing the arterial are designated as mixed use. However, this designation does not even extend along the entire length of the arterial. As a result, much of the land surrounding these highly accessible, high traffic areas is designated as Neighbourhoods. For an example, consider this map of the zoning around Ossington Avenue, from the Official Plan Land Use Map. Only the area between Queen and Dundas is continuously zoned Mixed Use, and only within one block.

In keeping with the goals of building more homes for more people in a short period of time, we recommend designating all land within two blocks of major and minor arterials as Mixed Use, as-of-right.



Furthermore, we recommend that no studies be required for any development along major and minor arterials if they are in keeping with the height and density recommendations in the City's own Performance Standards for Mid-Rise Buildings.

This policy should be seen to be consistent with the Official Plan. Where "Avenues" fall mostly in line with what the City has defined as Major and Minor Arterials, Section 2.2.3 of the Official Plan hopes "reurbanize" Avenues to "create new housing and job opportunities while improving the pedestrian environment, the look of the street, shopping opportunities and transit service" for the community.

However, the Official Plan requires any areas currently designated as Neighbourhoods to remain as such. Our policy recommendation of designating all land within two blocks along the major and minor arterials as Mixed Use would make this section obsolete.

POLICY #3

Consolidate all non-RA residential zones (R, RD, RS, RT, and RM) into R.

Residential Detached (or "RD") zoning makes up 32% of all the landmass of Toronto. This area is declining in population density, and seeing stagnating communities as a result.

All the other residential zones combined make up an additional 16% of the land in the city. These areas, too, are in desperate need of intensification. The City of Toronto needs hundreds of thousands of new units. It is unrealistic to expect this demand to be met by solely by high-rise condos and apartment buildings. Gentle density over a large area is needed.

To this end, we recommend consolidating the RD, RS, RT, and RM zones into R. As part of this consolidation, anything that was previously permitted in the RD, RS, RT, and RM zones will also be permitted in R. Although lot areas and frontage minimums, and floor space index maximums, may continue to differ in different areas of the city, the characteristic feature of R zones will be that there will be no maximum number of dwelling units on any lot.

This will allow housing up to 4 storeys to be allowed as-of-right throughout the entire Yellowbelt. We expect this change to immediately allow the gentle density required to provide walkable, safe, and yet vibrant, yet still predominantly residential neighbourhoods.

POLICY #4

Update the Zoning By-Law: Rezone all RA-zoned land to CR.

The RA zones are those that already have high-rise apartments but lack the mixed-use permissions that enable a diverse array of business types. These areas are isolated from employment opportunities as well as retail businesses, which require more transit use and isolate the residents.

We recommend rezoning all RA-zoned land to CR, and amending the Official Plan to redesignate these lands from Apartment Neighbourhoods to Mixed Use. By doing so, we would be increasing the available land for new commercial activity, while preserving densely populated neighbourhoods.

**POLICY #5****Implement a Monitoring and Evaluation Framework for other bottlenecks in the process to build Missing Middle housing**

Limitations on residential types are not the only barrier to building housing. There are many other zoning ordinances besides permitted uses that prevent intensification. To name only a few: setback requirements, maximum heights, minimum parking, and "floor space index" requirements. There are many more.

After Policies 1–4 above are implemented, there may still be significant delays in building Missing Middle housing. In order to determine what those delays are, we recommend that the City implement a framework to monitor and evaluate the needs of applicants requesting major or minor variance exemptions to build Missing Middle housing. The City can collect data about which particular provisions in the zoning by-law the applicant is seeking an exception to.

The purpose of this framework is not an additional consultation or feedback process. Rather, it serves to identify major and minor variance applications, and determine how the City could facilitate more Missing Middle housing—without pushing developers through a complicated process. By compiling a simple list of what is preventing more development, this data can serve as the starting point for evidence-based zoning by-law updates to come.



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