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Town of Newmarket Housing Pledge Staff Report to Council

Report Number: 2023-70

Department(s): Planning and Building Services

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Meeting Date: October 23, 2023

Recommendations

1. That the report entitled Town of Newmarket Housing Pledge dated October 23, 2023, be received; and,
2. That the Town of Newmarket support a municipal housing target of 6,400 new housing units in the community by 2031, inclusive of a target of 1,100 rental units and 350 non-profit/subsidized units; and
3. That this report be circulated to the Ministry of Municipal Affairs and Housing as the Town of Newmarket Council response to the Minister's letter dated August 22, 2023; and,
4. That this report be circulated to the Regional Clerk and Chief Planner at the Regional Municipality of York for information; and,
5. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

The Province of Ontario assigned a housing target of 12,000 new homes to be built in the Town of Newmarket by 2031. Council had previously expressed concerns with this housing target and has directed staff to develop an alternative housing target for the Town. This report explores various housing target options and outlines important factors that affect housing construction, like servicing availability, high interest rates, high building material costs, and labour force capacity.

Planning staff recommends that Council supports a municipal housing target of 6,400 new housing units in the community by 2031.

It is important to note that although the Town has been and will continue to work with all levels of government and industry stakeholders to further streamline municipal approval processes, it is ultimately the development community's responsibility to apply for, obtain approvals for, and construct such housing.

Purpose

The purpose of this report is to seek Council's adoption of the Town of Newmarket's housing pledge.

Background

In 2022, the Province of Ontario (the Province) assigned a municipal housing target of 12,000 new homes for the Town of Newmarket (the Town) in support of the Province's housing target of building 1.5 million homes by 2031.

On December 12, 2022, Council formally submitted a response to the Province regarding an inability to meet the 12,000 new homes target by 2031 (see **Attachment 1**). Notwithstanding the Town's response, on August 22, 2023, the former Minister of Municipal Affairs and Housing again sent a letter to the Town requesting a commitment to meet the original assigned housing target. At the September 18, 2023 Council meeting, Council directed staff to report on an alternative housing target for the Town considering matters such as current planning applications, servicing availability, and other factors impacting housing construction. It was also directed that the recommended Newmarket housing target include targets for rental units and not-for-profit housing units (see **Attachment 2**).

Discussion

The Town understands and appreciates that the intent of the 2031 Municipal Housing Targets is to increase housing supply to achieve the Province's commitment to have 1.5 million homes built by 2031. While the Town is willing and prepared to take on its fair share of the growth to the best of the Town's ability, the target of 12,000 new homes by 2031 assigned to Newmarket represents more than triple the Town's average growth projected to 2031. This level of growth is not achievable or supportable for various reasons as outlined in this report.

Newmarket's Alternative New Housing Pledge Target

Overall Housing Target

As directed by Council, Planning staff considered available data and assumptions, which have been summarized below, when developing various options for Council's

consideration. Staff recommend that Council adopt Option 3b as the Town's housing target.

Option 1 – Total unit count from all complete and anticipated development applications (10,500 units)

Option 1 looked at the total number of units derived from all complete development applications, proposals that are currently in the pre-application planning stage, assumptions related to the future development of the Upper Canada Mall and Shining Hill properties, and a moderate projection of future development applications by 2031.

This target of 10,500 units is not recommended because it does not consider servicing capacity constraints, local market conditions, impact of high interest rates, and labour force availability.

Option 2 – Option 1 adjusted by market analysis (9,100 units)

Option 2 is built on Option 1 and took into consideration Newmarket's specific local market conditions. Planning staff retained the firm Urbanation to conduct a market-specific housing demand analysis for the Town. The result from the analysis suggests that the Town's housing demand to 2031, assuming no servicing constraints, would be approximately 9,100 units.

Staff does not recommend that Council adopt a housing target of 9,100 units because this also does not consider servicing capacity constraints, the general economic impact of high interest rates, and labour force availability.

Option 3a – Available servicing capacity plus Inflow and Infiltration Reduction Program Repayment (2,600 units)

Option 3a is developed based on current available servicing capacity plus the amount of servicing capacity that the Town expects to receive from York Region through Inflow and Infiltration Reduction Program repayments, but assumes that no further capacity assignments will be released by York Region for use by the Town by 2031. This total amount of available servicing capacity would support approximately 2,600 units, which is at least anticipated from current and anticipated development applications to be built by 2031.

This option was assessed and determined to be too conservative and therefore not recommended, since some measure of additional servicing allocation is anticipated.

Option 3b – Option 3a plus anticipated additional servicing capacity from York Region (6,400 units)

Through discussions with York Region staff, it is anticipated that the early work related to the York Durham Sewage System expansion will create approximately 7,000 persons of servicing allocation for the Town, subject to certain phased infrastructure works being

completed. By adding this future capacity to the Town's currently available capacity (including future I&I repayments), a maximum available capacity number is achieved.

The recommended housing target of 6,400 units is calculated based on the amount of servicing capacity required for all current complete development applications knowing proposed unit numbers and types, and then adding the anticipated newly created servicing allocation. A conversion from newly created persons of servicing capacity to units was done by applying the average persons per unit conversion that York Region uses for planning purposes.

Planning staff recommends Council support a housing target of 6,400 units, which includes a rental target and subsidized/not-for-profit housing target as discussed further below. This option is most realistic given it is based on servicing capacity constraints/availability, and information available through current development applications. However, it should be noted that there are other factors that may affect housing construction, which will be discussed later in this report. In addition, it should be noted that this option assumes that additional capacity will be available in 2027 or 2028; therefore, the Town is still limited to current available capacity in the next few years. When the additional capacity does become available, the construction activity, which is driven by the building industry, will have to ramp up significantly to make up for the lag in the previous few years.

Rental Unit Target

The Regional Official Plan assigned a purpose-built rental unit target of 500 units for the Town between 2021 and 2031. Considering the list of proposed development applications and assuming an additional 10 per cent of new rental units by 2031, the Town could potentially achieve a rental housing target of approximately 1,100 units.

Subsidized/Not-for-Profit Housing Units

In considering a subsidized or not-for-profit housing unit target, Planning staff reviewed the current application list and consulted with York Region Housing staff. Based on the information available and assuming another 10 per cent increase of what is known now, the Town could potentially achieve a subsidized/not-for-profit housing unit target of 350 units by 2031.

Factors Impacting Housing Construction

As noted above, municipalities have a role in planning for growth, but the construction of housing units after planning approval is beyond municipal responsibility or control. In addition, there are other factors as noted below that will impact the ability to deliver housing units.

Inadequate Servicing Infrastructure

The Town already faces a servicing allocation shortage. The Town does not have adequate sanitary sewage capacity to accommodate existing development applications

on file. Specifically, the Town has development applications on file totaling over 5,000 units, requiring close to 12,000 persons of servicing capacity; however, the existing servicing infrastructure and capacity can only accommodate less than half of these needs. This does not include a future master plan in the Provincial Growth Centre at Yonge Street and Davis Drive, which would add approximately another 5,100 units at build out, requiring approximately an additional 10,000 persons of servicing capacity. Based on the Town's historic and recent annual growth rates, without additional servicing solutions becoming available, Newmarket is expected to hit its servicing limit around 2026.

High Interest Rates

According to the Canadian Centre for Policy Alternative, developers are investing 21 per cent less in new single-detached housing construction than during the height of pandemic economy shutdown in April 2020. Townhouses and apartment construction are also down by eight per cent and two per cent, respectively. These declines became even more pronounced by February 2022, when interest rate hikes started. At that time, investment in single-detached homes were down 36 per cent, semi-detached houses declined by 27 per cent, new townhouse construction saw a mild decline of two per cent, and apartment buildings by 19 per cent. "The Bank of Canada estimates that the worst impacts of rate increases take two years to hit the housing sector and the housing sector is the main vehicle for rate hikes to hit the economy. It has been 18 months since the first rate increases, but most of the bigger rate increases have occurred in the past 12 months, so the worst is yet to come."¹

The Canadian Home Builder's Association also reported that inflation and interest rates, among other things, are causing Canadian home builders to cancel projects. Twenty-two per cent of residential builders cancelled projects entirely in the second quarter of 2023.²

High Cost of Building Materials

"The cost of building homes and apartment complexes across 11 major Canadian cities was up 54 per cent in the first three months of 2023 compared with the same period in 2019, according to recently released Statistics Canada data.

The Canadian Home Builders' Association reports that the cost of materials for a typical 2,400-square-foot home is now around \$67,000 higher than it was pre-pandemic, with lumber alone accounting for roughly \$24,000 of that. A separate report from RBC indicates that, going forward, the rising cost of raw materials and the shortage of workers will challenge efforts to grow the housing stock."³

¹ Macdonald, D. (2023). *Canada is Building Fewer Homes Today Than During Pandemic Economy Shutdown*. Canadian Centre for Policy Alternative.

² Lyall, R. (2023). *Quick Action Needed to Avoid Catastrophe*. RESCON Newsletter September 2023

³ Lyall, R. (2023). *Price Pressures Put Strain on Builders*. RESCON Newsletter September 2023.

Insufficient Labour Force to Keep Up with Demand

The Ontario building industry is challenged to keep up with the level of construction required to meet Ontario's housing target across the province. The supply of labour is not large enough to construct all of the housing as set out by the municipal housing pledge by 2031.

The Report of the Ontario Housing Affordability Task Force, February 2022, acknowledged there is a labour shortage in the construction sector. Recently, CIBC also reported that the job vacancy rate in construction is at a record high with approximately 80,000 unfilled jobs. In the Greater Toronto Area alone, nearly one quarter of the current labour force are expected to retire by 2030.⁴ BuildForce Canada notes that by 2032, Ontario alone is going to need up to 119,000 construction workers over the next decade to replace retirees and keep up with growth.⁵

The Town has Already Undertaken Many Initiatives Identified by The Province to Streamline Housing Development in Newmarket

As part of its original housing pledge request, the Province has identified actions that municipalities can undertake or identify as part of a housing pledge to quicken the approval process and bring more housing to market. As shown in **Attachment 3**, the Town has already undertaken and completed most of the initiatives identified by the Province, further satisfying the Town's support for housing, including affordable housing, as part of a growing Region and Province.

In addition to the list of actions and initiatives outlined in **Attachment 3**, the Town undertook a marketing campaign in 2019 to promote developments along Yonge Street and Davis Drive by allowing developments to go straight to site plan approval as a result of the Town pre-zoning approximately 290 hectares of land for mid-rise or high-rise development (see **Attachment 4**). Combined, these actions were profound, and resulted in a 'plug and play' framework that remains in place today in our Urban Centres.

More recently, the Town completed a Development Application Process review and examined the Town's internal processes to find opportunities for efficiencies and streamlining. Among other recommendations, this review resulted in increased staffing levels, more precise submission requirements, and consistent terms of reference to provide clear expectation to applicants. Staff is preparing to implement further process change to streamline the review of applications.

⁴ Lyall, R. (2023). *The Critical Need to Recruit More Workers in Construction*. RESCON Newsletter October 2023.

⁵ Lyall, R. (2023). *Labour Supply Vacancies Could Hit A Record High*. RESCON Newsletter October 2023.

Partnerships with All Levels of Government and the Building Industry are Required to Build Complete Communities, but Building Homes is Undertaken by the Development Industry

The Town has done and will continue to do its best to process development approvals, but ultimately, the development community is responsible for the construction of housing following municipal approval – that is, construction and delivery of housing post municipal approvals is beyond the Town’s control.

In Newmarket, there are almost 600 units that have been zoned or draft approved for development for over three years and for which, servicing allocation has been provided by the Town, but the development industry has not brought to market.

The creation of new housing (and particularly accessible and affordable housing) requires participation and action from not just local municipalities, but also the Federal government, the Province, the Region, and the development community working together to provide the necessary servicing, financial, and planning framework.

More importantly, the focus of all levels of government and the development community should be on building strong, healthy communities, not just building houses.

Conclusion

Council had advised the Province in the past that the Town is unable to commit to a housing target of 12,000 new homes by 2031. This report recommends a more realistic housing target of 6,400 units for Newmarket.

Business Plan and Strategic Plan Linkages

- Living Well
- Well-Equipped and Managed
- Well-Planned and Connected

Consultation

Planning staff consulted with York Region staff from Planning and Economic Development, Infrastructure Asset Management, and Housing Services.

Human Resource Considerations

Staff in Planning, Legal, Engineering, Building, and other departments will be required to process increased amount of development applications within statutory timeline.

Budget Impact

Additional budget may be required to support a possible increase in staffing.

Attachments

Attachment 1 – Council Extract from December 12, 2022 Council Meeting

Attachment 2 – Council Extract from September 18, 2023 Council Meeting

Attachment 3 – Strategies and Actions Recommended by the Province and Completed by Newmarket

Attachment 4 – Marketing Campaign 2019

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