



Solutions for Canadian Home Property Market

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Keith: Welcome to the Empowered Investor. My name is Keith Matthews and I'm joined by my co-host Marcelo Taboada for today's show.

Marcelo: Marcelo, how are you today?

Keith: I'm good. Really excited about the weather, the fact that we're going back to the office slowly. We're going to have all the team together again. But I'm beyond excited for today's episode. I think we have a very good subject. It's a generational issue that's affecting a lot of Canadians across many ages right now. And yeah, I think you have a great guest and a great show, but let's get into it. What are we talking about today?

Keith: We're talking about home prices, home affordability, and solutions around how to fix it. And that's one of the most talked-about subjects you can find in the last few years. In fact, in the last decade, homes have become unaffordable for a new generation who are trying to get in. And then there's different implications. There is a lack of selection of homes, a lack of options for those that are looking to downsize. Homes, I think, are one of these areas that you get a tremendous amount of mixed emotions depending on whether you own homes or you don't. And so today we're really going to talk about the supply side that keeps on coming up as to what are the various options that can be done to try to relieve pressure, introduce more supply, give individuals of all income brackets more choices.

Marcelo: I definitely see it with my age group and people in my generation, and I find that you have two sides, right? You have the side of people who have very good jobs and they're looking for homes and they're looking for specific single-family homes. The nice backyard, your typical stereotypical family home, right? And they're extremely frustrated because they keep losing bids. It's really hard to find a home that's not falling apart or requires a lot of work. And it's also not too far from the core city of downtown. And you have the other side, people who already acquired homes. And I would be in that category because I bought my home in 2019 right before the pandemic. And everybody's feeling great because your assets keep going up and you feel like you're sitting on a gold mine, right? So it divides people because on the one hand, I do think owning a house is a privilege, but I also think there's something fundamentally wrong if two people have very good incomes and they can't even afford a decent home. I don't think that's right.

Keith: And there's implications all the way through here. So there's lots of different options people have been pushing forward. How do we check the demand side? How do we reduce the amount of influence pushing prices up? And that's been spoken about, and there's all sorts of policies that different provinces have tried. But one of the new concepts that's really being pushed forward is the idea that we are living in unsustainable cities that are just expanding horizontally, going out, and we need to rethink that model. We need to rethink the model. We need to rethink supply. We need to



rethink zoning, and today's guest is an expert in policy and it's fascinating. The more and more I learn about it, the more and more I evolve my thinking around what a city should look like. And it's really fascinating to understand what our cities look like from a density perspective. This idea of "drive till you qualify." It's a term that real estate agents use all the time, but that just means driving hours from a city until you can find a house you can afford. And there's got to be a better way.

Marcelo: Yeah. So tell me about our guest today, Steve Lafleur, and what does he have to say about this whole issue? Why is it important, what he has to say?

Keith: It's interesting. First, let me say, I asked Steve if he has any relationship to Guy Lafleur. This is a big hockey name, of course, in Montreal and all of Canada. And he was quick to say, unfortunately no. He's originally from Ontario. He just happens to have the same name. It's not a common name, but Steve is a senior policy analyst with a tremendous amount of background and research from major Canadian think tanks, including the Fraser Institute. But his specialty is on housing, transportation, and land use policies. And so specifically, we're going to refer to lots of different task force policies that have come up on how to fix the Canadian real estate issue. And most of this is going to be on the supply side. Marcelo, we have lots of clients that are either parents or grandparents, and everyone's got a concern about how can we improve this. So I'm excited about today's show. It was a great interview with Steve. He is an expert and totally thrilled to have him for today's show.

Marcelo: Yeah, I think people are going to enjoy this episode.

Keith: Steve, welcome to today's podcast on home ownership here in Canada.

Steve: Thank you for having me.

Keith: We're really looking forward to you sharing your ideas and research on Canadian city developments and home affordability in particular. It's an amazing topic. It's a topic that's dear to just about all of our clients and most Canadians. You can't help think that on the one hand some people love houses going up, and on the other hand, it becomes unaffordable for so many. So today's focus is going to be on the supply side, and you're an expert. So thank you again for being on today's show. I guess my first question to you is why is this subject important to you?

Steve: It's important for a couple of reasons. I guess on a personal level, as somebody who has lived in many major Canadian cities and also spent a lot of time in the United States, you can see some big differences between places where there are accommodative housing policies and where there aren't. Toronto and Vancouver are two places that I've lived and spent a lot of time in. And as an elder millennial, as I guess the term would go, I think that I'm right in that demographic that's seen the impact of housing increases the most because people who 10 years ago would have bought a house in Toronto, just by sheer virtue of having made the dumb luck decision of buying in Toronto at that time, have done very well just by having bought a house. Whereas people now moving, for instance, I just moved back to Toronto not long ago. The cost of housing is really high. It's not just slightly high. It's extremely high to the point where it's not unusual to overhear random people talk about how they just don't think they'll ever be able to afford to buy a house in Toronto. It's a water cooler conversation. Everybody who doesn't own a house is always thinking about it. The other part is that it's a national economic issue. So it isn't just a Toronto problem. The Toronto housing affordability problem has shifted out to a lot of the rest of Ontario as people have done what people call drive to qualify. In other words, find a place where you can afford to buy, whether that means moving an hour and a half out, that might be what it takes.



Keith: And Steve, you know what, we had a few agents on our podcast, real estate agents, talking about this. The drive to qualify I think is a national trend now.

Steve: Yes, it's most pronounced in Toronto in many respects. But it certainly is an issue if you look at Vancouver, for instance. Surrey either has or is close to overtaking Vancouver's largest population center within the metropolitan area, largely because that's where development has been allowed to happen over the last few decades. So people are, as a result, having to commute out to Surrey if they want to work in Vancouver. Similarly, that's happening really in any major metropolitan area, but primarily those two. Those are the two where it's the biggest problem.

Keith: Absolutely. And here in Montreal, often people are now having to drive off the island for sure. Even the lower Laurentians, which is an hour north of the city, is becoming extremely expensive. So it's an issue that pretty much every city has to deal with. And I know when we speak to our clients, if you own a home, or for any Canadian, if you own a home, it's lovely to see 10 percent appreciation for a decade or two. Then you definitely see that in your net worth. But we hear so many of our clients and a lot of our listeners talk about things like, what about my kids? So if you're a 60-year-old, what about my 22 to 25-year-olds? So I think that's a huge issue that everybody is thinking about. And another area that a lot of our clients think about is this idea of, I'm 55 to 65. I live in a home that was a four-bedroom home or a five-bedroom home. I raised my family. My family's no longer there. So what do I do? Where do I go? And so the supply issue pops up again, and people are saying, there's actually nowhere to go. I don't feel like there's great options. So we're stuck in this almost cycle where those that are trying to buy into the home ownership environment can't, those that are wishing to actually downsize can't. And what I find fascinating about the supply question that you've researched and we're going to speak about today is, to me, it's a great solution and we need to think about this more.

Steve: Yeah. So in the context of Toronto, for instance, a lot of the kind of like 1970s, 1980s era neighborhoods are shrinking. And even some of the older ones, really any kind of core inner ring suburbs as well are shrinking because you've had families that have lived there for a very long time. And then as they've aged, they've stayed in place and their kids have moved on. So instead of having four people in a house, you have two people in a house. And as you pointed out, if we're not building the types of housing that they'd be willing to downsize into, then they're just not going to or if they can't afford to or whatever the issue may be. So that's one of the challenges of having a very tight housing market. And you see it in places, it's not just a Toronto issue. That is certainly true, but it is most pronounced in Toronto and Vancouver where having sub 1 percent rental vacancy rates, for instance, is how things go. It's worse in Vancouver, actually. When I moved there about six or seven years ago, 2005, I should say, it was a part-time job trying to find a sublet to the point where I just gave up on it and I was doing short-term accommodations because there was really no other choice without spending all my weekends looking at places with 14 other people. Same showing. So when you have a really tight market like we do, it really makes moving of any type really difficult. And that isn't just bad for renters. That isn't just bad for young people looking to get on the property ladder. That's bad for anybody who might conceivably move.

Keith: Absolutely. A hundred percent. Let's take a moment and look at some statistics here and set the stage for our listeners on two areas: price of homes in Canada versus the United States. I think what's needed is reflection. So, a lot of Canadians may or may not know exactly what are the price of homes relative to other countries. So I think that we should raise that right now. And also density, this idea of how dense are our cities. That was a real eye-opener when I looked at some of the reports that either you've written or spoken about. So let's start with home affordability. My



understanding is the average home in the United States is somewhere in the vicinity of \$450,000 US. And what would be the average price of a home in Canada?

Steve: So the most recent statistic I've seen quoted was actually over \$800,000 for Canada according to the Canadian Real Estate Association. It's a considerable difference even when you factor in the exchange rate.

Keith: Not just that, if you pull the economic side out, US incomes have always been slightly higher than Canadian incomes. The income tax rates are slightly lower. And then finally, the US has a higher level of productivity. So if you're a young person and you're sitting here trying to figure out what's a more affordable way to own homes relative to my income level or any person, whether that's a middle-aged individual, we are starting to look extremely expensive.

Steve: Yeah, certainly. Incomes vary dramatically by metropolitan area within Canada as well. One of the things that I kind of joke about is that Vancouver is essentially Toronto housing prices with Winnipeg incomes. So there's big discrepancies in terms of affordability so that the often cited Demographia report has Vancouver always near the top. And it's both sides of the ledger. It's not just that houses are expensive, it's that incomes are low. And so when you compare Toronto to San Francisco, for instance, one of the big differences is that San Francisco has got higher average incomes. So it's really important to consider that context. But it's not just a one metropolitan area thing. It is across the board within Canada. It's a problem.

Keith: Yeah, absolutely. Steve, let's talk a little bit about density levels in our Canadian cities because it's so telling in terms of how jam-packed or not our cities are. Can you share some information about density levels of Canadian cities with our listeners?

Steve: Absolutely. I think that people tend to assume that places like Toronto are extremely dense. It's a big city. We've all seen pictures of high-rise apartment buildings clustered together. So it looks like a lot, and people in Toronto, if you ask, will tell you we're in a giant condo. There's a condo on every corner, which isn't really true, but it's the perception that, because they're so visible. But in reality, none of our cities are actually really that dense. In fact, Toronto is not even the densest. Vancouver and Montreal are both slightly denser. But we're not talking about extreme density. San Francisco, for instance, is a city that if you stand in one of the major towers downtown and look around, you'll see seas of detached houses. And yet, it's actually quite a bit denser than any Canadian city. It's got about over 7,000 inhabitants per kilometer squared versus about 5,500 for Vancouver and about 4,500 for Toronto. And San Francisco is basically the poster child for not allowing development.

Keith: So how did San Francisco do that?

Steve: A lot of it is just that it's older. It's an older city that's built up a long ago before the automobile or before widespread automobile ownership and cul-de-sacs and so forth. So they're coasting on what they did before, but I wouldn't exactly point to San Francisco as a positive example. Right now. I merely bring up San Francisco just as a counterpoint. We're not even doing that well. Now if you really want to get into some density, Singapore, London, New York, Osaka, they're all over 10,000 which is basically double what the three biggest or most dense Canadian cities are roughly. So then you look at Paris. Yeah. Paris isn't exactly known for skyscrapers. Paris is mostly middle density kind of housing or rather lock up apartments and that sort of thing. But it's almost exclusively that. As a result, they're able to build a lot of density even though it doesn't look that dense. So all that to say there are a lot of ways that you can pack density in and whether that means



more like lower Manhattan density or whether that means more kind of middle density Parisian density, there's a ton of things you can do. There's no real credible argument that Toronto, Montreal or Vancouver are full. We've got plenty of room to build.

Keith: This is what we're going to explore in today's show. So yeah, thank you for laying the foundation. I've always been amazed that we know we have a lot of land in the northern part, but it's essentially the size of Europe with 40 million people and we have a real estate problem. Like it just makes no sense.

Steve: Yeah, a lot of it is so I shouldn't say a lot of it, all of it is policy driven. One of the things that we've done in Toronto and Vancouver in particular is that we've made the policy decision that we want to use blunt tools to reduce urban sprawl. So, Vancouver has the agricultural land reserve, which essentially prevents a lot of residential development outside of the city in order to preserve farmland. That's the ostensive rationale. So, if you fly over Vancouver, you'll see a bunch of farmland right just outside of the city. Essentially that stops a certain type of sprawl. Now of course, people do go further out because there's nothing stopping people from driving further and commuting into the city, which is a different problem. But that is one of the constraints and Toronto has the same thing with the green belt. Some of it is about protecting ecologically sensitive areas. Some of it is just about preventing urban sprawl. There's an argument that's just pushing people further out, but that is one of the constraints. So we've got these big parts of these metropolitan areas where you just can't really build very much. The other side of that is okay, so we're not growing out as much as we could, but we're also not going up as much as we could. And that's really because of this kind of rigid zoning system that we've got that's a hangover from earlier times and it's a challenge that most North American cities have because essentially we've all landed on this model of urban development where the default is a single detached house.

Keith: And that default has been in place throughout the 60s, 70s, and 80s all the way up to now.

Steve: Yeah. So Toronto, you'll notice a big difference between the neighborhoods that were mostly developed in pre-1960 and the ones that are developed after then when more rigid zoning laws came in. So for instance, where I live in East Toronto, there are a lot of single-family homes, but they're on smaller lots. A lot of them are attached. There's a lot of duplexes, there's a lot of row houses, there's a lot of small apartments. Whereas if you go out into some of the newer suburbs, what you tend to see is what we call tall and sprawl. So it's a couple of islands of towers but surrounded by oceans of single detached houses without really anything in between the two. As a result, a lot of these suburban neighborhoods are actually less dense, even though they've got towers, than some of the core area neighborhoods that don't really have a lot of towers but that have a lot of what we call missing middle housing.

Keith: All right, Steve. Then there's a big discussion around supply versus demand side in terms of trying to control house prices in Canada. Can you elaborate a little bit on what demand side means and changes around that? And then we're going to switch gears and really focus on the supply side.

Steve: Yeah, certainly. So housing, like all markets, is essentially determined by the intersection of supply and demand. It's a commodity like any other commodity. More people want to buy it than there are available. Price is going to go up. If all of a sudden there was a lot more housing relative to the number of people who want it, prices will go down. So that's a basic fact that I think often gets glossed over or people try to hand-wave away with their pet theories about why that might not be the case. But essentially that's the difference between a high-growth metropolitan area like Toronto and a place like Cleveland. There are a lot of people who want to live here, which means a lot of



demand. So we have to build more. Now, one solution that some people have fallen on is maybe we want less people to move, or more popular, maybe we want less people to speculate. Canada has a lot of immigration. There's not really any kind of major push to slow that down. Whether one wants it to be the case or not, there are a lot of people who are going to move to Toronto, Montreal, Vancouver, etc. So, what some people have proposed and what some governments have done to try to tinker around the margins to do things like have taxes on speculation, on vacant housing, when property transfer taxes, and so forth. The trouble is we've tried a lot of this stuff. We can jack up the property transfer tax again if we want to, and we can increase, I guess we've done even more restrictions on foreign buyers now, but we can keep dialing it up in intensity, but it hasn't really worked thus far. So it's not really clear to me that it's going to work without doing something really jarring in terms of maybe migration restrictions or maybe restrictions on foreign students, which is something that I've heard come up. So barring something like that, it doesn't look like these demand side policies are going to really do that much. Now, it's possible, but I worry that a lot of people focus on it as the primary solution. And I don't really think that it's plausible that we're going to take care of this primarily on the demand side.

Keith: I think you've got a real point there because it seems like for the last 15 years, every time the government wants to try to help make things better on the housing side, they always go to the demand side. They always try to bring in the restrictive measures, penalties, taxes, and you're right. It doesn't seem to be having a real major impact.

Steve: Part of it is that, not to be too cynical, but part of it is that, you know, it's easy to scapegoat people who are current voters. It's easy to say that this is caused by people in mainland China or that it's caused by Black Rock or Black Stone, rather, who are constantly kind of pinata for people worried about companies buying up detached houses. It's always easier to have a scapegoat rather than get into the nitty gritty and find these hard solutions because to be clear, there are no easy solutions. They're conceptually easy solutions at the 36,000-foot level, but when it comes to actual implementation, they're not that easy. And they don't happen all at once. So that's a lot harder to sell.

Keith: Yeah, you're absolutely right, which leads us to the supply side, which is what we're really focusing on today's show. When we had some of the real estate agents on 15 to 20 episodes ago, a lot of the suggestions that they were bringing up were rezoning. It's really a rezoning issue. It's a supply issue. So this is what we're going to speak about right now. So what does it mean exactly to change supply? I know it sounds obvious, but what does it really mean?

Steve: A lot of the times when we think about housing in big cities in particular, we jump to towers. We think, okay, what we need to do is build some condo towers or some apartment towers, and that'll take care of the problem. The trouble is that in Toronto, for instance, and Toronto is not an outlier. In fact, it might be even more so, there might be even more accommodative in some respects, but Toronto, 70 percent of the land mass is not zoned for anything more than a single attached house. So that means there's a limited number of plots on which you can build condo towers or apartment towers. And a lot of the areas where you can, already have a fairly intense development on them. So it's not like there's a lot of land by transit and by jobs and that are walkable, the type of places that people will buy and live in towers. There's not a lot of that to build on. You can on no tower in a greenfield somewhere, an hour from downtown, but nobody's going to want to live there because in order to live that kind of lifestyle, you need more urban amenities and transportation and so forth. What we need to do is we need to expand the capability to build houses within the city and within neighborhoods that are walkable, have access to jobs and have amenities, the ones that are really just zoned for single detached houses. So that's where it gets challenging



because often there are a lot of scare tactics to come into it. I remember Commercial Drive, East Vancouver, one of the more walkable parts of Vancouver, there was, when I lived there, always posters up about how they were going to build, I think it was a 20-story condo tower next to a transit station, and that was seen as a problem. This kind of fearmongering happens everywhere, so that's really a big part of the problem.

Keith: Okay. Late last fall, Ontario Housing, there was a task force that was set up, and they developed a report. And I know you've written about that report, but they developed a report called the Ontario Housing Affordability Task Force. And I remember reading about that in the Globe and Mail. And I went over the report and I said, this sounds smart. It sounds reasonable. It sounds like it could be a great solution. And not only for Toronto, for all cities, I thought that the article I read really spoke about this being the model to go forward. Can you basically give us a bit of the background as to why this task force was put in and what they were supposed to try to do? Let's start with that.

Steve: Yeah, so as the housing affordability issue has become worse in Toronto and it's spread out to other parts of Ontario, partly as a result of the challenges in Toronto as people have more driven to qualify. There's just been a lot of political pressure to do something. The government in Ontario does at least have some recognition of the problem. You'll hear it, the rhetoric, and there certainly are some policies that they've been amenable to that would increase density and that have increased density. But it's a big problem. It's not just a snap of the fingers problem. So, they convened an expert panel to try to give them an overview of what they could do in order to build more housing. The recommendations range between kind of good common-sense things and harder, but more beneficial things. There are some recommendations around faster approvals, which I don't think that there's a credible argument to say that we need to slow down the approval process. Either something is acceptable or it's not. The length of time that we spend now deliberating these things is not healthy, frankly. The consultations aren't very representative for a variety of reasons. Not everybody can go to a public consultation and people who are prospective renters in Toronto but don't live in Toronto because they can't afford to aren't exactly represented. Speeding up approval processes and that sort of thing are important. There's also some recommendations around financial support to municipalities for building housing. Side note, that's something some federal parties and the last budget had some support for that as well. So that's something that there's some agreement on. But the big hard is precisely the single detached zoned areas. Because it's one thing to expedite the process of building. It's another thing to have the land to build it on. If there isn't the capacity to build more housing, then we're all just focusing on speeding up timelines for things we can't do anyways.

Keith: So let's be specific, Steve. What was the exact recommendation?

Steve: So the exact recommendation that got the most focus from a lot of people was to allow for four units up to four stories on a single detached lot. So in other words, you have a current lot and you'd be able to split it and build four units. So for instance, if you wanted to build like a duplex or if you wanted to build four stories stacked on one piece of land, you could do that. That's the big one. I think that really is the key to this because as we were talking about with Paris, there are a lot of ways to put density into a neighborhood and there are only so many places to put towers. And frankly, towers are a harder sell politically. You can't just put a tower anywhere without a lot of opposition, a lot more than you get to a townhouse.



Keith: So to be clear then, what they were recommending is any single lot would be zoned in a way that if a homeowner or new owner wanted to create four units on that property, they could just go ahead and do it?

Steve: Yeah. It's certainly not every property is really optimal for that, but it is what they would permit. Yes.

Keith: Yeah. And I guess there'd be homes that would be, as you say, optimal. So those would be homes that were either old bungalows that would be torn down. And instead of building a monster house, as they nicknamed the McMansions or something that's really super large, you would have an option to build four units on that very same property.

Steve: Yeah. And I think that's really what it's about. What we really need is to get away from the idea that we either have towers or we have detached houses. This is really a new idea. It's something post 1960s era. We got this idea that everybody needs to own a single detached house in a suburb in a cul-de-sac. But throughout history, that really hasn't been how we develop. And I think we've done just fine as a society with a lot of other different types of housing arrangements. If you look at a lot of older European cities or Quebec City, for instance, or parts of Montreal, there's a lot of different types of housing, a lot of different types of housing that have been grandfathered in that are not cul-de-sacs and that are not single detached houses with large lots. There are ways that we can do this. This isn't wisdom we don't have. It's just that we haven't zoned for it in most neighborhoods in the last few decades.

Keith: Yeah, I would assume that also we'll get to this, but the neighborhoods would not necessarily, their gut instinct isn't to say, "Oh, this sounds great. Let's go ahead and do it." There would be a high level of fear and worry and concern. And that's part of what we're trying to do in today's discussion is understand a that concern but think through it a little bit see what the benefits are see what solutions can come.

Steve: Yeah. I think that a big challenge is that you live in a place long enough, you have a certain expectation of what that place is, what the neighbors are like, what the level of noise is, how much sun you get on your garden, etc. But you can't really freeze that in time. What's happening is, as I mentioned earlier, families that live in a lot of detached houses in major metropolitan areas have their kids moving out as they age and they're staying in place, which means that the density of the neighborhood is declining, which means that in some cases there are amenities that just aren't used as much. For instance, there aren't as many kids. There aren't as many people to go to a local school or there aren't as many people to use a playground and so forth. So a lot of the amenities end up getting underused. But also another thing that's happened is they've become more exclusive in terms of purchase prices. It means that what's happened is even though we haven't changed anything in terms of what the neighborhood looks like, we've changed how much it's worth and who can live there and who does live there. In many cases, it might not be young families anymore. It might be empty nesters who have more house than they might even want, frankly, and people who can happen to afford it. But if the cost of a townhouse is \$1.3 million in a neighborhood, a lot of people just can't afford that. So, it really means that a lot of neighborhoods that are walkable to amenities and they're close to jobs become exclusive, which is a problem for people who have to commute further and further to work.

Keith: A hundred percent. What kinds of properties under these proposed rules do you think would actually be changed? So if you take a city, take Toronto, I'm assuming Rosedale wouldn't be affected that much or High Park, but like where does this effect come into play?



Steve: Yeah. So, if you look at the older neighborhoods, and I alluded to East Toronto because I think it's just an interesting example of what gentle density can look like. So it's an older neighborhood, so it already is that missing middle where we are building, or buildings like the one I live in, frankly, kind of five-story walk-ups or six-story walk-ups or adding stuff like that. But it is already fairly dense. But if you look at some of the further plunge suburbs that are more recent vintage, a lot of those were really built as cul-de-sacs with driving primarily in mind and really did incorporate a lot of walkability and mostly our single attached houses.

Keith: We're talking about rezoning. Can you give us some examples? My understanding is New Zealand, as a country which also has an affordability issue, has recently agreed to rezone development. And this is something that's happening in other cities in North America as well. Can you comment on that, Steve?

Steve: Yeah. So, New Zealand is one that took a pretty aggressive federally-led approach to zoning reform to permit medium density in all the major cities. So that certainly is a recognition by a country that is a major problem. That something has to be done in terms of zoning. Whenever we look at these surveys, the most prominent one that gets a lot of attention is the Demographia survey. What they do is they look at the media and multiple, which is the median housing price divided by the median income. And New Zealand tends to be quite high, as is Australia. Vancouver, as I mentioned before, tends to be near the top because of high housing prices, low incomes, moderate incomes. So they've got a problem. They've recognized it and they've done something. It's not necessarily entirely equivalent to Canada. Every country's governments are a little bit different, but it certainly is a recognition that something had to be done. So we'll see how much fruit that bears, but a lot of cities in North America have done things as well. And there are all kinds of levers that can be pulled. As much as I dwell on single detached zoning, there are other things too. Minimum parking requirements are a big one. For instance, if you want to build a smaller apartment block, even if it's zoned for that, if you need to build a certain number of parking units, that might wreck the economics because building parking on scarce land is really expensive. If you have to dig or build above-ground stalls, that's not cheap. That all adds to the price. And especially, you know, it's perverse if you're building it for lower-income people who don't even drive and essentially forcing them to pay for that extra 20, 30, 40, in some cases, \$100,000. It doesn't make any sense. There are a lot of things like that in a lot of places like Buffalo and Edmonton. In some other cities, those sorts of stuff, they have essentially limited them. Toronto, to their credit, has moved on that too recently. But in terms of single detached zoning, Minneapolis is one of the first. They essentially upzoned, I believe it was similar to what Toronto Housing Task Force here has recommended. I believe it's up to four, might have even been four-story walk-ups. I'll have to look into that. And Edmonton has also upzoned in 2019 so that anybody can build two units on a single attached lot. In fact, it's even more aggressive than that because they also allow for secondary suites and garden suites as well. So my understanding is you could actually end up in a situation where you could build six on what used to be one, depending on the situation. There are cities that have done this. This isn't something that we're coming at with no roadmap.

Keith: And I'm assuming when you say the secondary unit, that's an ensuite, an in-law home or unit. Is that what you're referring to?

Steve: Yeah, that'd be like a basement suite, for instance. That's a thing in Calgary as well. And some places allow it. Some places don't. But yeah, so that's another way to add density is simply just subdividing an existing house.



Keith: In the end, what did Doug Ford do with this task force report? I don't believe he accepted or not accepted. I don't believe he pushed it forward.

Steve: There were a lot of recommendations that were introduced. For instance, a kind of red tape reduction stuff is always pretty popular and it's the lower hanging fruit. The core recommendation of four units per single attached lot, that has not come to fruition as of yet.

Keith: Okay, that's really the biggie.

Steve: I think so. So for instance, if you take any detached neighborhood, all of a sudden you're theoretically quadrupling the number of houses that could exist. That's a big deal. To their credit, they have done some things about allowing more of the high-rise apartments and whatnot and condos through ministerial zoning orders. So they've used the provincial government's hammer to ensure that certain developments have been built. So that's something, but I think though that you're not going to solve this all just by having towers.

Keith: Yeah, no, I agree. Agreed. There seems to be a lot of benefits besides affordability in terms of densification. So, what are some of the other benefits that come with increasing densification, either villages within cities or just more dense cities in general?

Steve: Yeah, there are a number of them. Some are softer, more subjective, and some are a little bit more concrete. But for instance, if you take a neighborhood that already has quite a few amenities, access to public transportation, access to jobs, access to nature, and so forth, then all of a sudden you double it, you've got twice as many people who are able to take advantage of those amenities. And often that can be done at a low cost in terms of infrastructure because it's already there. The other softer things are it can create a more vibrant community. We've got a lot of neighborhoods in Toronto that, and not just Toronto, but in all of Canada, inner ring suburbs that have lost a lot of their vitality because they went from being places where you had young families, four people in a house or five people in a house, to all of a sudden two people in a house. So, you've got less people around, less people going to restaurants, to stores. And then all of a sudden it makes it harder to support those kinds of local neighborhood amenities. So, by having more people in these neighborhoods, all of a sudden, the restaurant that operates or the convenience store is in a better position than they are if they're dealing with having a population in the neighborhood over time.

Keith: For sure. I'll tell you that, like just a totally different type of anecdote, but I don't see a lot of ball hockey being played in the neighborhoods that I live in now. And there's not a lot of kids. There's a lot of aging boomers or young boomers. I would also assume that this entire densification is something that the environmental forces would support. You're just going to have less cars on the road. I would think that you'd be using more public transit. You'd be supporting more public transit.

Steve: Yeah. One of the frustrating things is that any real concrete plan to tackle greenhouse gas emissions in Canada is going to have to come from allowing more people to live in the type of neighborhoods where you can have a lower carbon footprint, which makes it really frustrating when a lot of people in those neighborhoods block development because it might be inconvenient. That's fair. It's understandable, but it's also necessary. And the other side of that is we are talking about people who oftentimes it's unfortunate when somebody maybe has to leave a neighborhood they've lived in their whole life. On the one hand, on the other hand, if your property value has increased five or tenfold, you are being compensated for it. So, it's not exactly like you're being kicked out with no compensation, which by the way happens to renters. Let's be fair. We don't want to be too



deferential to existing homeowners, but there is a trade-off. It is understandable, but it also is in many cases being compensated.

Keith: Yeah. I'm not sure. The more I look into this, the more I read these reports, the more I see that it is a real viable solution, increasing supply. And not just for the generation behind us, the late twenties that want to get into the housing market, but again also for the boomer that's trying to figure out like I need to downsize. I want to downsize. I don't want to do all the yard work and the maintenance. I'd like to go into a vibrant community. And it just seems like there's benefits for a lot of Canadians.

Steve: Yeah, and this is the trouble with one size fits all solutions like blanket single detached zoning is that a lot of people want a lot of different things. And one of the solutions to that is just to have the market sort it out. There are all kinds of different configurations in which people can live from the kind of Florida Margaritaville type retirement complex to existing mature neighborhoods that maybe could accommodate more people through garden suites and so forth. There isn't one way that people want to live. There's plenty of people out there. We've all got different preferences. And so I think that a more flexible zoning situation is beneficial to everybody, or most people at least.

Keith: Yeah. I remember our brief discussion pre-recording, you spoke about a developer, a Canadian developer who's developing properties in the United States, retirement and really groovy spots for people to live in. He or she would wish that he could have that same opportunity in Canada, but the zoning just won't permit it.

Steve: Yeah, and that's the, that's part of the challenge is that we've got these developers, they know what they're doing. They know how to do this. If they're telling you that they can't do it here and they're demonstrating this isn't just an empty threat. They are building these communities elsewhere. So that should tell you something. And of course, nobody's going to shed tears for the developer. They can't build something. But the reality is those units that they're building are people's homes or would be people's homes if they're allowed to be built. Yes, it's easy to say big bad developer taking away my neighborhood feel, but people have to live somewhere. I'm willing to admit that there are trade-offs. If all of a sudden you've got more traffic, that's an inconvenience. If all of a sudden somebody builds a two-story building next to you and that means shade on your garden, that's an inconvenience. But everybody has to deal with inconveniences. And frankly, if we're going to meet a lot of our environmental goals, if we're going to ensure that we've got affordable housing, if we're going to ensure that we can accommodate people who want to come to our major cities and work and be productive, we're going to have to make some compromises.

Keith: Yeah, you're absolutely right. What do you see are the main obstacles in terms of moving this entire supply rezoning idea forward? Is it politicians? Is it municipalities? Is it homeowners? What are the stakeholders that are holding it back, and what do you think needs to be done to move this forward?

Steve: Existing homeowners get a lot of flack. I understand it and certainly in some cases they can be an issue in terms of blocking things for reasons that might not be great. However, I don't think it's fair to put all the blame there. I think a lot of times it's just fear of the unknown. You think about it if you were somebody who grew up in a post-1970s kind of bungalow in the suburbs. And at that time, you think about it in the 80s and even early 90s, cities were grinding, declining places that nobody wanted to live in. Then all of a sudden, that psychological anchor you have is that this is the type of neighborhood we want to live in. We want to live in single attached neighborhoods because urban denser neighborhoods are bad and scary and dangerous. Part of it is fear and part of it is really



unjustifiable fear because anytime we talk about upzoning, people think about towers. And my last place was a 50-story tower. I thought it was a good place to live, but not everybody wants that next to themselves. And I get that, which is one of the reasons why having these other solutions like smaller scale walk-ups like the one I live in now, which is six stories on a major street. Apparently, it was a big battle, by the way, to build it. And it's on a major street. It amazes me to think about this. Having a battle to build a six-story building on Queen Street sounds insane, but it's what happened. But a lot of it is just fear, and I guess I'm biased, but I think that this is a rather quiet building that doesn't really disturb anybody. And I don't think anybody now would even think about it as you look back and say it was crazy that there was ever a fight over it. I think it's about fear. It's just not something that people are used to because not many people grew up in missing middle neighborhoods. We call it missing middle because it's mostly missing.

Keith: It's funny. I tell my wife when we downsize, I tell her I'd like to move into the Plateau, Steve. So I don't know if you know where the Plateau is in Montreal. It's a hip spot. It's filled with double-story. Lots of duplexes and triplexes and balconies and vibrant markets just down the street and lots of restaurants. And I go, that sounds like fun. I just think that we could be building those like you're talking about. That's the missing middle, right?

Steve: Yeah, absolutely. And that's one of the things that I find interesting, and this is just a divide in terms of people's lived experiences, is that a lot of people don't realize that some of the most desirable and expensive neighborhoods in the country are places like Plateau, East Toronto, Leslieville or the Beaches. These are places with houses that don't look fancy, but that are actually pretty expensive. Why are they expensive? Because they're near amenities, they're still ground level oriented. So, they're not towers where you need an elevator. But it's the type of thing we used to build, and we stopped building that. And now people are crowding into those places because they're some of the only places that have that kind of old neighborhood feel to them.

Keith: Yeah. So how do we affect change? We're going to start to get into Steve's recommendations here. How do we affect change? How do we develop and nurture reverse NIMBY? I've seen now it's YIMBY. Yes, in my backyard. How do we get that?

Steve: I think we need a couple of things. One thing, I think we need to have that kind of 36,000-foot conversation and say, look, we all understand that there is a limit to the amount of carbon emissions we can emit. We all understand that there are a couple of major Canadian cities that really drive the economy and people need to live somewhere and people need to be able to get around in a practical way. So, we need to make some changes. The second part of that is after we have that conversation, we need to talk about what it looks like and recognize that it doesn't have to be scary. It doesn't have to be 1980s era New York. There's plenty of vibrant, very dense neighborhoods in Toronto, but that's not going to be everything. There's also some lesser dense neighborhoods like Leslieville or Riverside or Montreal, the Plateau, or in Vancouver, East Vancouver, that are vibrant and very desirable. And with the right zoning, and that's the next part, is that we need to ensure that we're zoning, not just so that there are towers and sprawl, but the missing middle. So that if you are somebody who, for instance, like myself, I lived in a 50-story building. It was fine. It was in some ways very good. It wasn't right for me. So, I was fortunate enough that we were able to, frankly, able to afford to live in a neighborhood like we do where we have the option to move into a walk-up apartment that's not as busy. Walk up the stairs, we spill out of the neighborhood, we look out of our balcony, we're in the neighborhood, we're part of it. We're not up in the sky in a tower. It's a very nice situation, I think, and I think we need to give more people that option.



Keith: So how do we do it though? It sounds like it's a whole lot of education. It sounds like it's a whole lot of messaging. I like to read. I do a tremendous amount of reading on every day and the weekends, and you look at these subjects and only now am I coming to terms with getting better versed at what supply side looks like.

Steve: I'm still working on this answer myself. There isn't an easy answer. I guess one example I'll give, I'll circle back to, I brought up 1980s New York. Anybody who was old enough to watch television during the 1980s probably had an impression that cities were bad, dangerous places because what was on television? Movies about crime in big cities. News stories about crime in big cities. But over time, popular culture changed. In the early 90s, all of a sudden it became hip to move to New York. Popular culture started to celebrate places like New York. More people started to move to those places. And I think it's the same thing, that if we want to see more gentle density, more missing middle housing, I think we really need to educate people what that looks like and celebrate it. It's not something that has to be a compromise that people make. Living in that kind of missing middle can be quite vibrant and entertaining. So, where I live in Leslieville, I can walk to an exhaustible number of great restaurants. I can walk to groceries. I can walk to anything I need. I can walk to Union Station if I really want to. So, I think that educating people that putting up duplexes sounds like some kind of compromise that is something that you don't necessarily want to do in life unless you have to, but really it can be a great situation for people.

Keith: I think we're all hearing a lot more about this subject matter now with time, and I'd like to see some solutions. I think a lot of our listeners want to see solutions, whether it's for themselves, whether it's for their kids, whether it's for, if your grandparents and you're thinking about your younger generation, I think we're just going to be spending a lot more time trying to find these solutions. And I do hope we see movement in it.

Steve: I'm optimistic. I think that we will. You mentioned Canadians being reasonable people at the start. I think that we're not necessarily always the first to do things, but I think that when push comes to shove, I think eventually we do the right thing.

Keith: I agree a hundred percent. Any final takeaways, Steve, for our listeners?

Steve: I think that really what we need to do is we need to recognize that there are changes that need to happen. They don't have to be scary, and we don't have to make it a polarizing thing. It doesn't have to be one side versus the other. There's a lot of room in the middle to compromise, and I think that we need to have these discussions in order to see where we can land. And somebody might say that we should upzone everywhere so that it looks like Paris. We're probably not going to do that. So, we need to figure out where between where we are and that we can get to. So, the takeaway is that we've got some decisions to make. They're not all going to be easy. I think that we can come up with win solutions. Nobody's going to get everything they want. We're probably not going to freeze neighborhoods in time forever. At some point, as population pressures continue to bear on major cities, we're going to have to upzone somewhere. Now it might not necessarily mean that every neighborhood is Lower Manhattan, or every neighborhood is Paris. If you look at East Toronto, we can do things like that. We can have more row houses. We can have more attached houses, semi-attached, small walk-up apartments. These things aren't scary. I happen to think that they're quite nice. And they're not incompatible with having a pleasant, relatively quiet neighborhood. And I think we need to be mindful of that. There's an ideal that we have that everybody should live in a cul-de-sac and a lot of people, frankly, should because that's what they want and that's what they're able to afford. That's great, but we can't make one size fits all solutions for everybody.



Keith: Agreed. Steve, thank you so much for spending time today on the show and sharing your thoughts with our listeners. The supply side is something that most of us haven't really heard a lot about, and we're starting to hear a lot more about it now. So, thank you so much for elaborating on it, giving us a better sense as to what it really means. You're definitely doing your part to increase awareness and education levels in this area. So, thank you once again, Steve.

Steve: Thank you so much for having me.

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