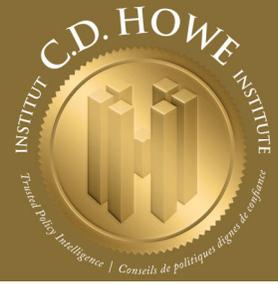


Intelligence MEMOS



From: Benjamin Dachis
To: Canadian Municipal and Provincial Governments
Date: January 15, 2021
Re: **CITIES CAN SPEED DEVELOPMENT WITH EARLY ZONING PRE-APPROVALS**

High home values are partly a product of limited construction. A major limit to construction is a lengthy [development approval system](#) and [costs on homebuyers](#). Changing this system has both a public interest element of increasing affordability, and also creates an investment opportunity for integrated transit and housing investment.

Provincial and municipal governments should institute an expedited development approval process in areas around critical transit stations. They should also work with the Canada Infrastructure Bank (CIB) to facilitate financing to ensure transit-oriented development beneficiaries pay for a large share of the water- and transit-related investment costs.

Land-use regulations must balance the broader public interest of enabling more housing and the more local private interest. The local private interest often involves both preserving local amenities and protecting home values, which see relative decline if more competing homes are built nearby.

Municipal governments across Canada can increase the efficiency of the housing approval process by introducing an expedited approval system. In Ontario, for example, that is called the Development Permit System (DPS, sometimes also called a Community Planning Permit System). The DPS integrates into a single 45-day approval what now often takes a developer years to navigate.

A critical component of any DPS is that a city, in consultation with the community, sets the parameters of the various approvals ahead of any developer putting in an application. The community's input to the plan happens ahead of all development applications subject to the new DPS. This allows a community to have a cohesive view, and choices, on how to plan a community. A city's pre-zoning with a DPS must also be aligned with provincial statutes and regulations, such as minimum density standards. This balances the public versus private interests.

For example, in an area around a transit station subject to a DPS, a community could decide between increasing density marginally throughout the community or preserving low-density housing while enabling large-scale housing on specific sites. These pre-set densities would be embedded in the DPS for a community and allow a developer to know with certainty what density is allowed on a specific site. If subsequent building submissions meet the criteria in the pre-planned DPS, a developer has the legal right to get approval within 45 days.

Despite the promise of the DPS, few cities have taken up the opportunity. From the perspective of a municipal councillor, the DPS has little upside. They lose their ability to control specific development applications. Vested interests that benefit from a complex planning process would lose business. Municipal government staff would also need to change their processes to meet the 45-day approval standard. They would need to plan for infrastructure such as water, schools, electricity, and more.

Transit-oriented development would be an ideal DPS testbed for expediting housing approvals and reducing risk for transit providers and housing developers. Such DPS plans could be tied to specific stations to encourage sufficient density to make transit investment with private partners more viable. And virtually every major Canadian city has significant new transit in the works and should consider similar ways to expedite transit-oriented development. Real estate revenues may form an important part of an infrastructure investor's diversified revenue. A DPS can help increase the certainty of that revenue outlook.

The potential market effect of increasing density around transit stations is significant. One [estimate](#) finds that if all GTA transit stations had density on par with provincial standards, it would accommodate all provincial population growth for 20 years.

A related issue with transit-oriented development is that transit costs come far earlier than when subsequent housing developers pay development charges. However, land values around transit stations often increase upon the [announcement of a station's location](#). This means there is seldom a direct link between infrastructure spending and government revenues realizing land value appreciation.

As part of a DPS, governments can enter into agreements with developers in both the station areas and surrounding developments to fund the investment spend from realized land appreciation. That could be similar to what is being introduced Ontario-wide with a [Community Benefits Charge](#). However, such financing only comes when developers come with development proposals – often years after initial plans for transit come to life and investment spend occurs. There is an opportunity and market gap for the CIB to help fill these timing gaps until land-value or other charges arrive for cities to allow them to invest in needed water and transit infrastructure to facilitate a transit-oriented development.

A DPS can facilitate a long-term plan around a station to expedite planning and finance the needed infrastructure expansion around transit stations until development follows in the station area. It's time for cities and provinces to use this tool to build more housing.

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