

Economic Implications from Planning Delays in the City of Toronto – Preliminary Findings


Altus Group


BILD®



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Memorandum to: Building Industry and Land Development Association (BILD)

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Subject: Economic Implications from Planning Delays in the City of Toronto – Preliminary Findings

Our File: P-6394

The Building Industry and Land Development Association (BILD) conducted a survey of its members in mid-May 2020 in order to gain a better understanding of the magnitude of project delays related to high-rise projects located in the City of Toronto. Altus Group advised on the formation of the survey and has been asked by BILD to provide comments on the findings and the potential economic implications from those findings.

Economic Implications

- The BILD survey finds significant delays on residential development projects in the City of Toronto related to COVID-19 measures.
- These delays are found in pre-construction and under construction projects.
- The economic implications include
 - The loss of about 9,000 housing starts over the course of 2020 and 2021;
 - The delayed occupancy of over 8,000 units by the end of 2021, potentially exacerbating an already existing shortage of housing in the City; and
 - Reduced construction activity and intensity in the multi family sector in the City of Toronto leading to the loss of close to 10,000 jobs per year.
- The fiscal implications include a loss or delay (beyond 2021) of some \$850 million in government revenues.

The remainder of this memo sets out our findings in more detail.

Key findings from the survey include:

- The survey was comprehensive, with responses from some 47 large owners or managers of development projects located in the City of Toronto and accounting for some 109,000 units in active development projects.
- The majority of the development projects reported on in the survey results were pre-construction (68% of projects and 56% of units).
- The survey asked respondents to comment on the degree to which active development projects are facing delays due to COVID-19 related issues. Results have been tabulated for projects that

are in three major categories by status: pre-construction, under construction and permitted for below-grade work, and under construction and permitted for above grade work.

- The vast majority of respondents reported delays in pre-construction projects and those under construction (both at the above and below grade stages).
- In summary:
 - Among residential development projects in the pre-construction phase, some 3% have no delays and/or minor delays; 65% are delayed by an estimated 3 to 6 months; and the remainder (32%) face delays estimated at 6 months or more.
 - Among residential development projects that are under construction, but were in the below-grade stage of construction at the onset of Ontario's declaration of Emergency Measures, which for a time prohibited the continuance of activity on projects of this nature, some 6% have no delays and/or minor delays; 83% are delayed by an estimated 3 to 6 months; and the remainder (11%) face delays estimated at 6 months or more.
 - Finally, among those projects under construction and permitted for above grade construction, some 10% have no delays and/or minor delays; 85% are delayed by an estimated 3 to 6 months; and the remainder (5%) face delays estimated at 6 months or more.

Economic Modelling

Residential development projects provide an important economic stimulus to the City of Toronto. New housing creates jobs directly on site related to the land development and construction activity, and indirectly related to the many companies across the economy that provide goods and services used in the construction process. There is also a further round of induced economic benefits that relates to the spending in the local community by the jobs supported through those first two rounds.

The findings from the BILD survey of developers shows unequivocally that new multi-family development projects being planned and constructed within the City of Toronto are facing delays. Delays in current projects will have a direct effect on the quantum of economic impacts from the residential construction sector in Toronto immediately (even though some of those benefits may be realized down the line).

These delays affect economic impacts through three ways:

- **Housing Starts:** According to the BILD survey there are some 188 active multi-family residential projects that are currently in the pre-construction phase. This will include projects early on in the planning process, projects well advance in the approvals process and those that are awaiting permits to start. These projects represent the “pipeline” for multi-family housing starts. In the first quarter of 2020 some 3,344 multi-family residential housing starts occurred in the City of Toronto according to Canada Mortgage and Housing Corporation (CMHC). Under normal circumstances it could be expected that starts over the period from April to December this year would have been a further 14,250 units (bringing 2020 total to 17,600 units – on par with 2019). The delays being experienced on pre-construction development projects will mean that there most certainly will be fewer housing starts than could be expected under normal circumstances. The delays being experienced now among pre-construction projects will also reduce the number of housing starts to be expected in 2021. Reduced housing starts has a clear economic implication for the City of

Toronto both through the reduction in job creation and economic activity that would otherwise have been stimulated, and from the reduced collection of construction related fees and taxes.

- **According to Altus Group:**
 - Under normal circumstances we would have expected multi-family starts of some 17,600 units this year and 19,000 units next.
 - Due to the delays being experience among pre-construction projects, starts will be a maximum of 10,050 units this year and 17,470 next.
 - The gap, between the two is a loss of housing starts of some 9,080 units over the two years.
 - Government revenues would be impacted by these lost starts over the course of 2020 and 2021 to the estimated amount of:
 - \$340 million in lost DC revenues;
 - \$13.5 million in lost EDC revenues (for TCDSB);
 - \$26.0 million in lost annual property tax revenues;
 - \$364 million in lost HST revenues;
 - \$53.8 million in lost provincial Land Transfer Tax revenues; and
 - \$52.5 million in lost municipal Land Transfer Tax revenues.
 - In addition to these important contributions to general government revenues that would be lost during this period due to the COVID-19 related delays, the City would also see reduced revenue from building permits and application fees, and other potential development related benefits such as Section 37 agreements.
- **Housing Completions:** The other end of the construction timeline is the housing completion. A unit is completed at the end of the construction process and when an occupancy permit is issued. Housing completions of course represent the time when the stimulus to construction jobs ends, but it is the most important time from a broader economic development perspective for the City of Toronto, as it is the opportunity to provide housing where needed to support population growth and address housing need and access. New supply also addresses affordability problems associated with constrained housing supply. Significant delays in current projects under construction, both below grade and above grade, have been identified in the BILD survey. A project under construction facing delays, results in delayed housing completions, and risks having negative economic development impacts as a result. The housing supply shortage in the City of Toronto, which led to extreme price and rent appreciation in the past several quarters leading up to the COVID-19 crisis, will certainly persist or become exacerbated by the delays currently being experienced by projects under construction.
 - **According to Altus Group:**
 - Under normal circumstances we would have expected multi-family housing completions of some 18,785 units this year and 17,150 units next.
 - Due to the delays being experience among under-construction projects, completions will be a maximum of 15,780 units this year and 12,115 next.
 - The gap, between the two is a loss of potential new housing units by the end of 2021 of some 8,030 units.
- **Under Construction:** The final impact is the pace and intensity of projects under construction. In 2019 there were an average of 50,000 multi-family residential units under construction in the City

of Toronto at any given time. The reduced housing starts expected over the next several months will lower the number of units under construction in the City of Toronto over the course of 2020 and 2021 but will also lower the intensity of economic activity generated by any given project at any given time, because the effect of project delays is to lengthen the time that any given project remains under construction. Project delays identified now due to the COVID crisis will lead to lower direct and spin-off economic activity related to multi-family units under construction in the City of Toronto over the course of 2020 and 2021.

- **According to Altus Group:**
 - The net effect of delayed approvals, starts, and completions will mean lower numbers of multi-family residential units under construction on average for 2020 and 2021 in the City of Toronto. The average number under construction is expected to be 47,750 units over 2020 to 2021 down from 50,000 units in 2019.
 - Because of delays on sites under construction identified in the BILD survey, it is estimated that the intensity of economic activity on a construction site in any given month will be reduced by about 21%.
 - The total quantum of direct economic activity related to multi-family residential units under construction in the City of Toronto on average over 2020 and 2021 will be \$4.1 billion compared with \$5.4 billion in 2019.
 - The loss of \$1.3 billion annually in direct economic activity will have the following implications on the City of Toronto (inclusive of direct and downstream impacts):
 - Total loss of \$2.6 billion in economic activity.
 - Total loss of \$1.3 billion in local GDP.
 - Total loss of 9,900 jobs.
 - Total loss of \$1.2 billion in wages and earnings.

The following table sets out the results of the Input Output analysis modelling:

Estimated Economic Implications of a \$1.3 Billion Reduction in Investment in Multi-family Residential Construction (Related to COVID-19 Delays)

	Direct	Indirect	Induced	Total**
Economic Activity (\$millions)	(1,300)	(835)	(480)	(2,600)
Gross Domestic Product (\$millions)	(603)	(401)	(276)	(1,280)
Number of Jobs*	(4,831)	(3,127)	(1,949)	(9,900)
Wages (\$millions)	(406)	(263)	(130)	(800)
Business Earnings (\$millions)	(191)	(137)	(130)	(460)

* Person-years of employment

** Rounded

Source: Altus Group Economic Consulting based on Input / Output Model and Other Sources

ECONOMIC IMPACTS OF COVID-19 ON CONSTRUCTION IN THE CITY OF TORONTO



KEY FINDINGS – ECONOMIC IMPLICATIONS*

Over the course of **2020 & 2021**, we will see the **loss** of about
9,000 HOUSING STARTS



The **delayed occupancy** of **8,000 UNITS**
by the end of **2021**.



Exacerbating an already **existing shortage** of housing in the City.

Reduced Construction Activity and **intensity** in the multi-family sector in the City of Toronto is leading to the loss of **10,000 JOBS PER YEAR**

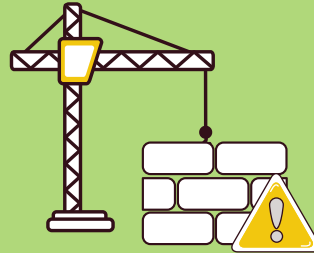


The **Financial Implications** include a **loss or delay beyond 2021** of some **\$850 MILLION** in government revenues.



KEY FINDINGS – ECONOMIC MODELING

In the next two years, the **loss** of housing starts are estimated at **9,080 units**.



Government Revenues would be impacted by the lost housing starts over the course of **2020 & 2021**, to the estimated amount of:

- **\$340 MILLION** in lost DC revenues;
- **\$13.5 MILLION** in lost TCDSB EDC revenues;
- **\$26.0 MILLION** in lost annual property tax revenue;
- **\$364 MILLION** in lost HST revenues;
- **\$53.8 MILLION** in lost provincial Land Transfer Tax revenues;
- **\$52.5 MILLION** in lost municipal Land Transfer Tax revenues;

The City would also see reduced revenue from **building permits and application fees**, and **other potential development related benefits** such as **Section 37 agreements**.

We encourage you to read the full study, for your reference – [here](#)

KEY FINDINGS – FROM THE SURVEY *

Residential Development Projects delays in the *Pre-Construction Phase*:

- Some **3%** have no delays/minor delays;
- **65%** are delayed by an estimated **3 to 6 months**; and
- **32%** face delays estimated at **6+ months**.

Residential Development Projects that are *under construction (below-grade)*:

- Some **65%** have no delays/minor delays;
- **83%** are delayed by an estimated **3 to 6 months**; and
- **11%** face delays estimated at **6+ months**.

Residential Development Project delays that are *under construction and permitted for above-grade*:

- Some **10%** have no delays/minor delays;
- **85%** are delayed by an estimated **3 to 6 months**; and
- **5%** face delays estimated at **6+ months**.

*The survey was comprehensive, with responses from some 47 large owners or managers of development projects located in the City of Toronto and accounting for some 109,000 units in active development projects.

*The Building Industry and Land Development Association (BILD) conducted a survey of its members in mid-May 2020 in order to gain a better understanding of the magnitude of project delays related to high-rise projects located in the City of Toronto, due to restrictions caused by COVID-19..