

City of Hamilton Land Needs Assessment to 2051

Addendum to March 2021 Technical Working Paper – Summary of Results
November 2021

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Section 1: Introduction and Purpose of Report

Context for Analysis

The City of Hamilton Land Needs Assessment (LNA) has been undertaken to support the update of the Growth Related Integrated Development Strategy (the GRIDS2 update) and Municipal Comprehensive Review (MCR) for the period to 2051. The Final LNA and related reports were considered by Council at the March 29, 2021 meeting of the General Issues Committee (GIC).

The current LNA study process has been **underway since 2017 and continues a long history of work** on housing, economic development and urban land needs beginning with the original GRIDS study process in 2003. Amongst the more recent materials that inform the current LNA are:

- The 2021 *Residential Intensification Market Demand Study* and 2016 *Residential Land Needs Analysis* Technical Working Paper;
- Phase 1 of the Bayfront Industrial Area Strategy, the 2016 *Market Opportunities Study – A Strategy for Renewal*;
- The 2014 *Current and Future State of Hamilton’s Advanced Manufacturing Sector* and 2015 *Foreign Direct Investment (FDI)* Economic Development strategies;
- The 2009 *Employment Area Land Budget Update* and revisions for the Ontario Municipal Board (OMB) proceedings for the *Airport Employment Growth District (AEGD)* in 2012 and 2013;
- The 2008 *City of Hamilton Employment Land Conversion Analysis*, 2006 *Comprehensive Employment Study* and associated 2007 Peer Review Report; and
- Staff documents including analyses of greenfield density and intensification potential, Employment Land conversion, vacant land inventories and others.

A more complete list of background materials and documentation is provided in the Attachments to this report. This body of work has consistently concluded that Hamilton has great economic potential and is very well-suited to compete for new investment. Rapid population and employment growth remains the expectation based on the City’s urban structure, strategic location, transportation connections and the availability of large, competitive employment areas throughout the community.

Section 1: Introduction and Purpose of Report

Council Direction on the LNA Results

By way of brief review, the draft LNA results were presented to Council (GIC) in December 2020. Three main scenarios were identified based on varying rates of intensification within the Built-up Area (shown by the map on the following page) and greenfield density targets:

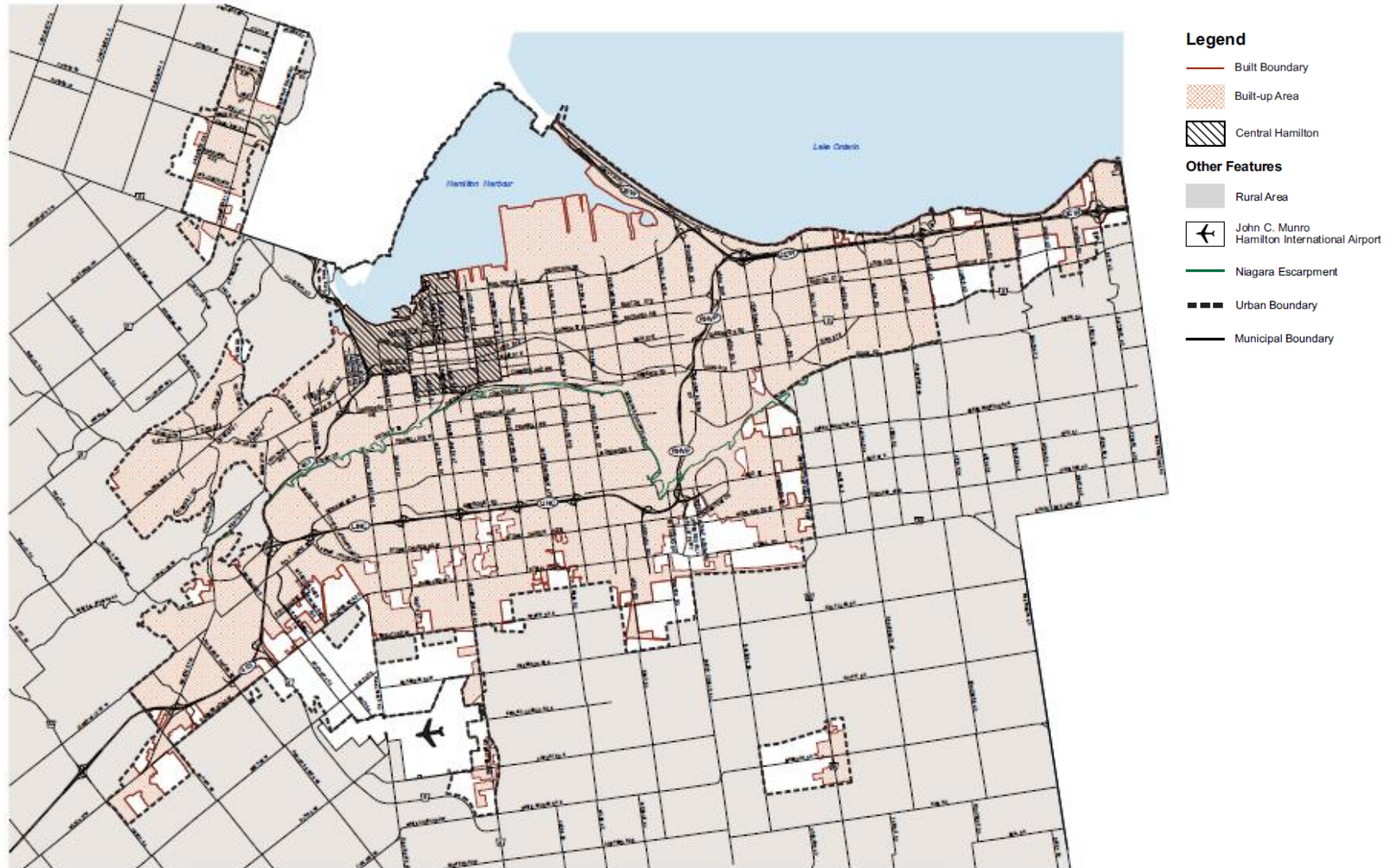
- The *Growth Plan Minimum Scenario*: which is based on the minimum level of City policy intervention, a target of 50% of new units inside the Built-up Area and a density of 65 residents and jobs combined in new greenfield areas that results in a **land need of 2,190 gross ha**;
- The *Increased Targets Scenario*: which is based on higher targets of 55% of new units inside the Built-up Area and a density of 75 residents and jobs combined in new greenfield areas that **lowers the land need to 1,630 gross ha**; and
- The *Ambitious Density Scenario*: which is based on still higher targets for intensification (an average of 60% of new units) and density in new greenfield areas (77 residents and jobs combined per ha) that **lowers land need further to 1,340 gross ha**.

Final LNA results were presented to the City's GIC on March 29th, 2021. City staff recommended that Council adopt the *Ambitious Density scenario*, which represents an aggressive approach to growth management from a planning perspective. The LNA has also identified that the supply and demand for Employment Area lands are in balance with no new land required for current purposes; a conclusion also predicated on a very efficient use of the existing land and building supply.

At the March 2021 GIC meeting, Council tabled the staff recommendation to adopt the *Ambitious Density scenario*. Council also directed that additional public consultation be completed and that staff model and evaluate the No Urban Boundary Expansion (NUBE) scenario and report back on the results. In May 2021, Council adopted new zoning regulations to encourage Secondary Dwelling Units (SDU) across the City, which has implications for the LNA results. In June 2021, Council also directed a Peer Review of the LNA to confirm the method and approach meets applicable Provincial planning policy requirements, with the findings to be provided as part of the report back at the GIC meeting in October 2021.

Section 1: Introduction and Purpose of Report

The Built-Up Area



Source: Urban Hamilton Official Plan Appendix G - Boundaries Map

Section 1: Introduction and Purpose of Report

Purpose and Structure of This Report

The purpose of this Addendum Report is to document the changes that have taken place and information that has arisen since March 2021 and describe how it affects the LNA conclusions. Further discussion is also provided on issues raised in the Peer Review related to the notion of "Market" vs. "Policy-based" or "Target-based" analyses and implications of a No Urban Boundary Expansion Scenario from a Provincial planning policy perspective. The report is structured into five summary sections:

- **Section 1** sets out the background and context for analysis, recent Council direction on the LNA and the purpose of this report;
- **Section 2** provides an overview of the method and approach taken to the LNA including the mandated Provincial methodology and planning policy requirements and the very strong growth management principles embodied in the *Ambitious Density* scenario;
- **Section 3** summarizes the results of the Peer Review undertaken by Watson and Associates including the key areas of the LNA that could benefit from further explanation and issues raised about the "Policy-Based" approach taken to the analysis;
- **Section 4** summarizes the updated Community Area LNA, including the outlook for Secondary Dwelling Units (SDU) including detached SDUs such as "Laneway Houses" and "Garden Suites", updates to the unit distribution inside the Built-up Area and implications of the no expansion scenario; and
- **Section 5** provides a discussion of Employment Area land need, including additional clarification on the approach taken and the potential for land need to be higher based on less optimistic employment density and capacity expectations. The need for the City to closely monitor land supply is also discussed in light of the potential for further employment land conversion or changes to other economic or market factors that could shift the current balance into a shortage position.

A series of Attachments (1 through 5) provide additional background information as well as other technical updates that have been made since the March 2021 LNA was completed.

Section 2: Method and Approach to the LNA Analysis Undertaken According to Mandated Method

Following the March 29th GIC meeting, the City has received considerable feedback on the interpretation of the mandated Provincial method for land needs assessment: in particular the 'subjective' nature of the inputs. While it may be correct that the method inputs are open to some interpretation, they must nevertheless be based on sound evidence and data that are transparent and defensible to satisfy Provincial requirements. For Community Area (residential) land needs in particular:

- The method requires the preparation of a housing forecast by type (single and semi-detached, rowhouse and apartment) that cannot be avoided. To forecast housing by type, the analysis must consider current and future **trends in household formation and occupancy patterns** as a basis for the outlook.
- It must also be recognized that **household formation is fundamentally a social construct**: driven by long-standing demographic patterns that show little sign of change. Across the broader population, people are still choosing to live together, get married, have children, buy houses with backyards and – in some cases – downsize after divorce, widowhood or in response to other economic factors.
- Evidence shows that this lifecycle-driven demand for housing by type is **remarkably consistent and predictable over time**, along with the age structure of the larger population including international migration. The housing market shifts that have occurred over the last 10-15 years (notably towards higher density forms such as rows and apartment units) are taken into account in the 'market-based' forecast of housing by type (Table 4 of the March 2021 LNA) that is the starting point for analysis.

The Provincial method requires that municipalities balance the need for a 'market-based' supply of housing to accommodate all market segments and avoid land shortages, while still conforming to the intensification and density targets of the *Growth Plan for the Greater Golden Horseshoe (A Place to Grow)*. It is recognized that striking this balance may involve adjustments to the forecast housing mix "to the extent possible" while still planning for the Schedule 3 forecasts. These adjustments are reflected – to varying degrees – in the three main scenarios prepared for the LNA.



Section 2: Method and Approach to the LNA

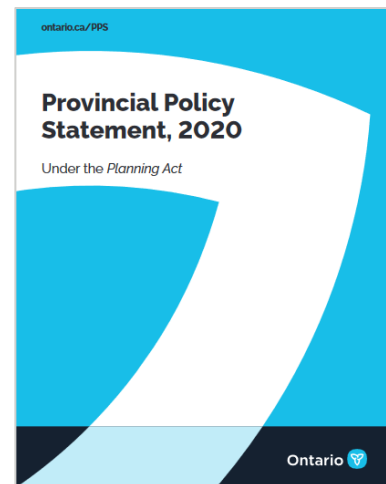
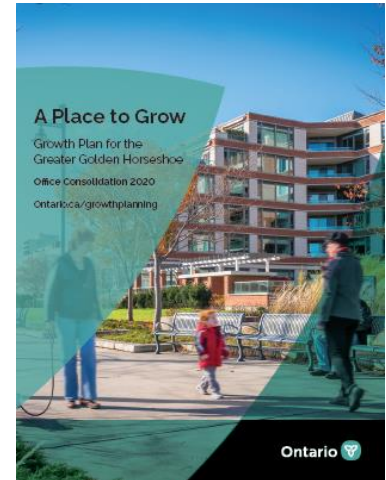
Approach Guided by Provincial Planning Policy Requirements

Within the context of the Provincial method, the approach to the City's LNA is guided by Provincial planning policy requirements in particular *A Place to Grow* but also the new *Provincial Policy Statement* (PPS, 2020) that speaks to satisfying market demand for housing and, among other matters, directs municipalities to maintain the ability to accommodate residential growth for a minimum of 15 years.

A primary objective of *A Place to Grow* is to **optimize the use of the existing urban land supply** to avoid over designating lands for future urban development. This objective is to be achieved with an "Intensification First" approach to limit the number of new housing units allocated to the Designated Greenfield Area (DGA). Both the PPS and *A Place to Grow* encourage municipalities to go beyond the minimum standards and targets set out in the Provincial policy and plan.

Municipalities are also directed to make more efficient use of existing employment areas and increase employment density, as described in Section 2.2.5 *Employment*, while ensuring the availability of sufficient land to meet the market requirements of all types of industry. Major Office and Institutional uses are directed to the Urban Growth Centres (UGC) and the conversion of employment lands to non-employment uses is to be carefully controlled.

Within this context, it is important to point out that "**market-based**" does not mean **development unconstrained** by planning policy. The market is shaped by policy and vice versa: the policy is shaped by what people want. The planning **challenge is to maximize the tolerance of the market** to be influenced by policy without jeopardizing the Schedule 3 forecasts, which would not meet Provincial requirements. All three of the main LNA scenarios represent varying degrees of policy intervention to achieve City and Provincial planning goals for density and intensification.



Section 2: Method and Approach to the LNA

Ambitious Density Scenario Embodies Strong Growth Management Principles

From a planning perspective, it should be noted that all LNA scenarios embody some degree of policy intervention. No purely 'market-based' scenario is likely to have the unit mix required to meet the 50% minimum intensification target. For the *Ambitious Density* scenario, a particularly aggressive shift in unit mix is envisioned:

- A substantial increase in total residential intensification and **shift to higher-density apartment forms** is envisioned, which has the effect of substantially reducing the amount of new urban expansion lands required.
- Achieving the necessary shifts in housing mix will be a challenge from a market and demographic perspective. The City has been removing regulatory barriers that will help capture market opportunities but cannot increase overall demand.
- Investment in the City's Light Rail Transit (LRT) system is expected to strengthen demand for apartments in the downtown, however the **downtown market will only deliver about half of the total** intensification units required;
- Similarly, the density factors for new greenfield areas represent a **considerable increase from past market trends**. From a residential perspective, net residential densities are set nearly as high as possible without generating a need for greenfield apartment unit construction, which would undermine efforts to focus intensification within the Built-up Area; and
- Expectations for **employment are also optimistic**, both in terms of "Population-related Employment (PRE)" in new greenfield areas and within the designated Employment Areas, where further intensification is envisioned.

Therefore, the *Ambitious Density* Scenario is **not a pure "market-based" approach** to the LNA, but rather embodies a high level of policy intervention to optimize the use of the existing urban land supply and avoid over-designating land for future urban development while still planning to achieve the Schedule 3 forecasts. The Peer Review confirms that the LNA method and approach is generally an appropriate application of *A Place to Grow* and Provincial LNA methodology, although some areas of the analysis could benefit from further clarification.

Significant Increase in Intensification

Intensification increases from 17,700 units in the 2021-2031 period to 22,200 (2031-2041) and 26,300 units in the 2041-2051 period.

Significant Increase in DGA Density

Density of new areas is substantially higher than in the current existing or planned DGA, and represents an extremely compact urban form

Optimistic Expectation for Employment

Driven by increased levels of remote work arising from COVID and a very efficient use of the existing land and building supply within designated Employment Areas

Section 3: Summary of Peer Review Results

LNA Generally Supports Provincial Policy Requirements

As noted previously, in June 2021 Council directed staff to retain a consultant with the appropriate experience in land economics to undertake a review of the approach and methodology used for the March 2021 *City of Hamilton Land Needs to 2051 Technical Working Paper – Summary of Results* and companion report: the *Residential Intensification Market Demand Study* (the "Intensification Study"). Watson and Associates Economists Ltd. was retained to complete the assignment.

The scope was to assess the study approach and methodology and determine whether it meets the requirements of all applicable provincial policies and is an appropriate application of applicable provincial policies with respect to determining the City's land needs to 2051. Council further directed that the consultant prepare a memorandum summarizing their findings and staff include this memorandum as part of the GRIDS2 report back at the Special GIC meeting on October 25, 2021. The Peer Review has been completed and the report is provided in Attachment 2.

The key conclusion of the Peer Review is that the **LNA generally supports Provincial policy requirements**, those primarily being the mandated Provincial LNA method and Growth Plan (*A Place to Grow*). However, reference is also made to the PPS requirement that municipalities provide for an appropriate range and mix of *housing options* and densities required to meet projected requirements of current and future residents of the *regional market area*. Of particular relevance from a LNA and MCR perspective is the PPS requirement that municipalities shall:

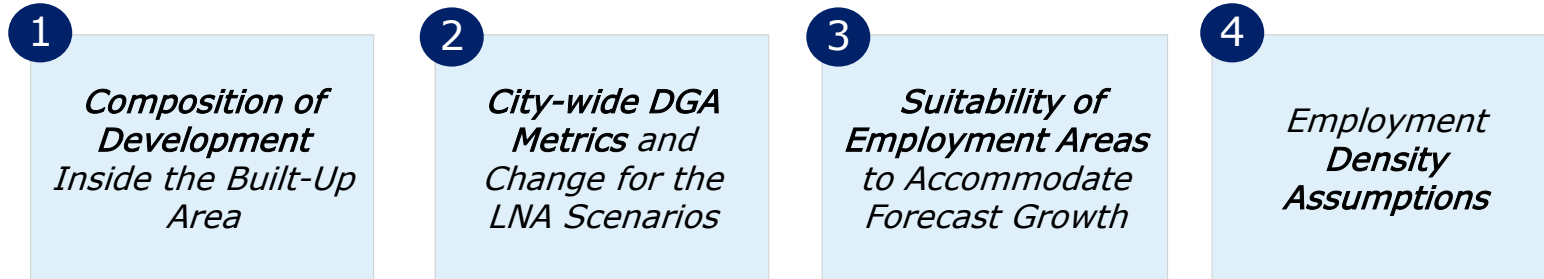
"...maintain at all times the ability to accommodate residential growth for a minimum of 15 years through residential intensification and redevelopment and, if necessary, lands which are designated and available for residential development (PPS 2020 Policy 1.4.1 a)."

From a total housing supply perspective, the City currently has the ability to accommodate growth for the required minimum 15-year period. A substantial supply of potential intensification sites has been identified inside the Built-up Area and there are existing greenfield areas designated and available for residential development. However, to provide an appropriate housing unit mix to accommodate all market segments and avoid shortages over the period to 2051, additional lands are required.

Section 3: Summary of Peer Review Results

Four key Areas Could Benefit from Additional Explanation

Notwithstanding its overall support for the LNA, the Peer Review did identify some areas that could benefit from further explanation. This is not unexpected since the results of the March 2021 analysis were set out in summary form for ease of communication. Four key areas are identified:



Each area is addressed in turn in the sections that follow, including commentary and responses as required. The Peer Review findings do not fundamentally change our conclusion that a balanced approach is required including both intensification and new greenfield expansion areas. Rather than question this result, the Peer Review suggests that **more greenfield lands could be required** under a less aggressive approach to managing growth; especially for Employment Area lands.

1. Composition of Development Inside the Built-up Area (BUA)

The Peer Review notes in Section 2.2.3 that the Intensification Study would benefit by providing more detail on the composition of development inside the Built-up Area in order to illustrate the amount and share of "pure" intensification relative to 'greenfield lands' inside the Built-up Area.

This issue is addressed generally in Section 3.3 *The Pattern of Intensification*, where it is explained that as the remaining supply of large vacant, underutilized or remnant 'greenfield' sites is developed within the Built-up Area, **the pattern of intensification must shift to apartments** in the nodes and corridors and the downtown UGC. While details on the nature of this shift may be of interest, it is not relevant to conformity with the Provincial intensification target, which refers only to the total number of units without regard to type, location or density, as explained in Section 1.2 *Planning for Intensification*.

Section 3: Summary of Peer Review Results

Four key Areas Could Benefit from Additional Explanation

2. City-Wide DGA Metrics and Change for the LNA Scenarios

The Peer Review notes in Section 2.2.6 that the LNA would benefit from a more fulsome discussion of DGA metrics including average people and jobs over the entire DGA, density trends and the change in overall DGA density for each of the LNA Scenarios. Reference is made to *A Place to Grow* Policy 2.2.7.3 that indicates the minimum **density target is to be measured over the entire DGA**. We would agree that providing such information would be beneficial.

Table 1

City-wide Designated Greenfield Area (DGA) Density

Summary by Land Need Scenario	2021 DGA Density	New DGA Density	2051 DGA Density
<i>Current Trends</i> (40% Intensification)	60 rjha	53 rjha	56 rjha
<i>Growth Plan Minimum</i> (50% Intensification)	60 rjha	65 rjha	62 rjha
<i>Increased Targets</i> (50%/55%/60%)	60 rjha	75 rjha	66 rjha
<i>Ambitious Density</i> (50%/60%/70%)	60 rjha	77 rjha	66 rjha

Source: Lorius and Associates based on information from the City of Hamilton. The 2051 DGA density for the *Increased Targets* and *Ambitious Density* scenarios are nearly identical because of the similarly high net density factors applied to new unit growth. The main difference is in the rate of intensification, which is higher for the *Ambitious Density* scenario.

As shown in Table 1 above, there is an increase in City-wide DGA density for all LNA scenarios except for *Current Trends*. For both the *Increased Targets* and *Ambitious Density* scenarios, a particularly significant increase is envisioned, translating into a **shift towards a much more compact urban form** compared to past 'market-based' trends. Nevertheless, while the scale of increase may be of interest from a growth management perspective, it is not relevant to the Provincial LNA method, which simply requires that conformity with the minimum intensification and DGA density targets be confirmed, or that adjustments to the housing mix are made to achieve *A Place to Grow* conformity "to the extent possible".

Section 3: Summary of Peer Review Results

Four key Areas Could Benefit from Additional Explanation

2. City-Wide DGA Metrics and Change for the LNA Scenarios (continued)

As shown in Table 1, the Peer Review also notes that all scenarios assume a density of 60 rjha for DGA lands currently designated within the City of Hamilton, but apply different densities for the urban lands to be brought into the settlement area and that it would benefit the reader if this assumption was more clearly explained. We agree. For the benefit of the reader here:

- The existing DGA density is held at 60 rjha because there are **few opportunities to achieve further density increases** on the currently designated land supply. The Built-up Area and associated boundary for the DGA was set by the Province in 2008 and does not change over time.
- Most of the existing DGA is already **developed or subject to active development plans** meaning that only a small percentage is true vacant greenfields that provide an opportunity to plan for increased densities (subject to good planning and servicing availability);
- The estimated unit potential in the existing DGA assumes that future **development will proceed at the higher end of the density range** in the applicable Secondary Plan and 'no plan' areas, which is not always the case. New developments are often below the maximum allowed;
- Part of the reason is that **increased density can lead to neighbourhood opposition**, especially in cases where a new development is proposed at a higher density than surrounding lands. While best efforts are made to ensure compatibility when calculating future development potential, there remains the possibility that neighbourhood concerns will impede planned density increases; and
- The planned density calculation also assumes that some larger parcels currently occupied with a single detached dwelling will be **redeveloped at a higher density over the long term**, which is a reasonable expectation but cannot be guaranteed from a planning perspective.

Planning to achieve a density of 60 rjha in the existing DGA is likely to be a challenge and represents an optimistic view of the future. Ensuring that new development occurs at these high densities **will require planning policy support and cooperation** from the development community, staff and council. This issue is discussed in the City's analysis of greenfield density provided as Appendix D to the March 2021 Council package and is also addressed in the July 2021 LNA Technical update Memorandum, which also formed part of the Peer Review materials and is provided in Attachment 4.

Section 3: Summary of Peer Review Results

Four key Areas Could Benefit from Additional Explanation

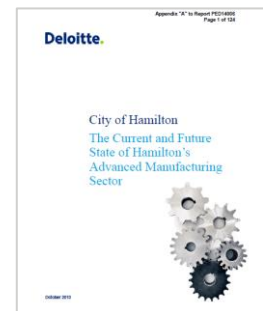
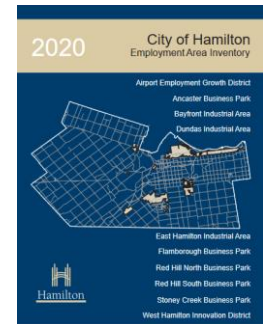
3. Suitability of Employment Area Land Supply to Accommodate Growth

The Peer Review notes in Section 2.3 that more information is required on the suitability of the Employment Areas to accommodate job growth over the planning horizon, including: size of vacant parcels, visibility, access to highways and other major goods movement facilities and infrastructure, serviceable lands and potential servicing constraints that may influence the rate of land absorption to the plan horizon.

The suitability of the City's Employment Area land supply to accommodate job growth has been addressed at length through previous study and staff review:

- Detailed **supply reviews and updates** were prepared as part of the 2008, 2012 and 2013 Employment Area land budget reports noted previously. A detailed inventory of supply on a parcel-by-parcel basis (the Employment Area Inventory) is also maintained by the City, updated regularly and made publically available on the municipal website;
- The **feasibility and competitiveness** of the land supply to attract new business investment is addressed in the employment land conversion analyses noted previously as well as the most recent *Employment Land Review* (2021) prepared by City staff; and
- Several **supporting strategies** have been prepared to encourage new investment and job growth including the Bayfront Strategy for Renewal, and the Advanced Manufacturing and FDI strategy noted previously. As also noted in the LNA, strategies to resolve current servicing constraints for the AEGD have been put in place.

Collectively, these background reports have consistently shown that the Employment Area land supply is made up of an integrated system of industrial and business park lands, each of which plays a distinct and important role in the City's economy. With few exceptions, the entire land supply is competitive and feasible for industrial-type use and must be retained to achieve the Schedule 3 forecasts. It was considered unnecessary to reiterate these long-standing conclusions in the LNA though we do acknowledge that reference to the relevant background documents could have benefited the reader.



Section 3: Summary of Peer Review Results

Four key Areas Could Benefit from Additional Explanation

4. Employment Area Density Assumptions

The Peer Review also raises the issue of employment area density, in particular why the density for the 2016 to 2051 period is assumed to be considerably higher than as observed in 2016: the base year for the analysis. It is further noted that the LNA density assumption is very sensitive: meaning that relatively small changes to the input lead to much greater variability in the overall results.

To illustrate this sensitivity, the Peer Review notes that the density assumption utilized is 39.5 jobs/ha over the 2016 to 2051 period, which supports the conclusion that supply and demand are in balance. If, for example, the City utilized the 2016 density of 24.3 jobs/ha for the analysis, the designated employment area land supply **capacity would decrease by 19,600 jobs**; which at standard industrial densities could translate into a **need for up to 650 ha of additional employment lands**.

While this example is arithmetically correct, it requires clarification. As explained in the LNA, the density of growth over the 2016 to 2051 period is **not an input**: but rather an output of the analysis based on Provincial policy directions to optimize the existing urban land supply to avoid over-designating future urban lands. It would not necessarily be appropriate, in our view, to apply the 2016 City-wide density to future growth because that figure includes the very large and low-density Bayfront Industrial Area, as well as the AEGD, which are treated separately in the analysis given the potential to distort City-wide averages.

The increase in City-wide employment density is largely the result of expectations for the Airport Employment Area Growth District (AEGD), which is beginning to emerge as a major growth area. The density of the Central Urban and Developing Greenfield areas is set to remain essentially stable (increasing marginally) over the period to 2051 reflecting Provincial policy requirements to make more efficient use of existing employment areas and increase employment density.

Density Clarification

City-wide Employment Area density in 2016 is estimated to be **24.3 jobs/ha**, which is relatively low because it includes the very large and low-density Bayfront Industrial Area and AEGD, which has just begun to accommodate significant amounts modern industrial-type development.

The estimated density of the other Employment Areas is in the range of **35 to 40 jobs/ha**, consistent with other similar municipalities within the metropolitan area.

It is important to clarify that the **density of growth over the 2016 to 2051 period is an output of the analysis** based on *A Place to Grow* directions to optimize the existing urban land supply to avoid over-designating lands for future urban development in Section 2.2.5 1. a)

Section 3: Summary of Peer Review Results

Important Issue Raised on "Policy-based" Approach to the LNA

On a broader methodological note, the Peer Review raises an important issue related to the notion of "Market" versus "Target" or "Policy-based" analytical approaches to the LNA. In particular, the Peer Review notes that the LNA would benefit from additional discussion on market-based trends that would lend support to the shifts envisioned for the various LNA scenarios. More specifically:

- For Community Area land needs, reference is made to 'market-based' trends and 'short-term real estate conditions' and the need to explain how factors such as affordability, demographic trends and infrastructure investment (among others) are expected to support increased DGA density for new areas, or if the increase is "simply just a planning policy shift";
- It is noted that the people and jobs density input is very sensitive, and the density input "can be perceived as subjective" without market consideration; and
- Similarly, it is noted that the Intensification Study would benefit from a discussion of how recent and planned investments in higher order transit is anticipated to support and "rationalize the shift towards higher intensification" under the *Increased Targets* and *Ambitious Density Scenario*. Likewise for Employment Areas, it is noted that additional information on recent development activity and absorption which "supports the increasing Employment Area density trend" would be beneficial.

The Peer Review is correct to note that the LNA should balance market-based trends and Provincial planning policy objectives. However, it is worth reiterating that the general intent of *A Place to Grow* is to **cause a shift away from historic market-based trends** in development towards more intense and compact urban forms. With few exceptions, a substantial shift to denser forms of housing such as row houses and apartments as well as increased employment density must be assumed in order to achieve MCR conformity. It is then to each of the local municipalities – though their planning instruments, infrastructure investment and other tools – to manage growth in a manner that achieves the necessary policy shifts.

Accordingly, the **LNA does not attempt to forecast different 'market-based' trends** for each scenario, but rather the required outcomes of increasingly aggressive intensification and density targets to achieve key City and Provincial planning objectives. Or to put it somewhat more plainly: the **LNA is setting the stage for the future policy-based market** and not the market of yesterday.

Section 4: Updated Community Area Land Needs Forecast of Detached Secondary Dwelling Units

Following the adoption of the new zoning regulations to encourage Secondary Dwelling Units (SDU) across the City, additional analysis was undertaken to clarify the approach taken to SDUs in the LNA, in particular detached SDUs such as "Laneway" housing, "Garden Suites" and other stand-alone secondary housing forms.

As an initial point of clarification, the "Accessory Unit" category in the 2020 *Growth Plan* forecasts and 2021 LNA are apartments added to an existing single-detached or semi-detached house (e.g., basement suites) and **do not include detached SDUs** such as Laneway Houses. Detached SDUs are considered single-detached units, as explained in the April 2021 memorandum provided in Attachment 3.

The issue of detached SDUs is not explicitly addressed in the LNA. However, these units were generally anticipated to form part of the ground-related intensification that will need to occur within the Built-up Area to achieve the aggressive policy-based targets in the *Ambitious Density Scenario*. An allowance for detached SDUs was not incorporated into the forecast for the DGA and Rural areas in the LNA.

To address this issue, a forecast of detached SDUs was prepared based on the City of Vancouver experience and recent analyses of the occupancy profile and distribution of secondary units. Overall, the outlook for detached SDUs is anticipated to be relatively limited – **approximately 80 units per year** – and focussed largely within the Built-up Area reflecting the attraction of urban locations for this type of development and limits on their development potential within the DGA.

For the *Ambitious Density Scenario*, the result is that overall land need is reduced by approximately 30 gross (buildable) ha: from a total of **1,340 ha to 1,310 ha** over the period to 2051. The detached SDU forecast is explained in the June 2021 Technical Update Memorandum that is provided in Attachment 4.

Laneway Housing Examples



Smaller – 500 sq.ft



Mid– 1,000 sq.ft



Larger – 1,500 sq.ft

Section 4: Updated Community Area Land Needs

Updates to Unit Distribution Inside the Built-up Area

As described in the LNA, to achieve the *Ambitious Density* Scenario the City will need to accommodate **66,190 units through intensification** – mostly in the form of mid- and high-rise apartment buildings. However, some ground-related housing units are also required: 3,310 Singles/Semis and **9,930 rowhouses**: as shown in Table 5 to the Final LNA Staff Report provided as part of the March 2021 Council package.

Within the Built-up Area, ground-related housing is allocated largely to rows (75% of the total) because a greater proportion of row houses and other multiples tend to be achieved through intensification than Singles or Semis, which mostly take the form of replacements of existing homes. The expectation for both types is for intensification to occur beyond the identified vacant residential land supply:

- For Singles/Semis, the estimated 2021 vacant supply is approximately 900 units. Comparing this supply to growth of 3,310 units indicates a shortage of roughly 2,400 units that will need to occur through intensification, including detached SDUs such as Laneway Houses and Garden Suites; and
- Similarly, for rows the vacant supply is not sufficient. However, the expectation is that additional small-scale development sites will arise over time including: non-residential lots, schools or Place of Worship sites that become available for infill and other current or future surplus public lands not yet known.

Following the March 2021 meeting, City staff have undertaken more detailed analysis in regards to the anticipated breakdown of intensification units (by type) within the Built-up Area as input to future growth and infrastructure modelling exercises. Based on the results, the rowhouse allocation within the Built-up Area has been reduced to better reflect the updated supply potential. The **update affects unit distribution inside the Built-up Area** and shifts the overall City-wide housing mix of growth marginally towards Apartments but does not change DGA land need.

Row House Adjustment

In the March 2021 LNA, a **typical housing mix** of was set for inside the Built-up Area: 80% Apartments and 20% ground-related units (Singles/Semi and Row).

Most of the growth in the ground-related category is allocated to rowhouses, resulting in a **total of 9,930 units** over the planning period to 2051.

A somewhat lower potential has been shown through updated analysis, **roughly 7,600 units** that includes the current vacant land supply, redevelopment sites and a 15% contingency for future infill projects that cannot be identified in advance.

The **rowhouse allocation has been reduced** accordingly, which changes the City-wide mix of growth but does not affect DGA land need.

Section 4: Updated Community Area Land Needs

The "No Urban Boundary Expansion" Scenario

1. Preliminary Modeling Indicates a Shortfall of 59,300 Units

As noted, three main scenarios were prepared in 2020: the *Growth Plan Minimum*, *Increased Targets* and *Ambitious Density* scenarios. The "No Urban Boundary Expansion" (NUBE) Scenario was not modelled at the time but is now being considered as a growth option in accordance with Council direction arising out of the March 2021 GIC meeting. Preliminary modeling of the NUBE Scenario indicates **a shortfall of nearly 60,000 ground-related units** that would need to be 'shifted' into family-sized apartment units in order to achieve the Schedule 3 forecasts, as shown in Table 2 below.

Table 2

Ground-Related Housing Shifts Required by LNA Scenario

LNA Scenario	Intensification Target	Ground-Related Shift to Apts.	Ground-Related Share of Growth
<i>Market Based</i> (Table 4, March 2021 LNA)	n/a	0	75%
<i>Growth Plan Minimum</i> (50% Intensification)	50%	20,730	57%
<i>Increased Targets</i> (50%/55%/60%)	55%	24,800	53%
<i>Ambitious Density</i> (50%/60%/70%)	60%	28,900	50%
<i>No Urban Boundary Expansion</i> (NUBE)	n/a	59,300	22%

Source: Lorus and Associates based on March 2021 LNA report, forecasts and other information from Hemson Consulting Ltd., and City of Hamilton staff, 2021.

A supply-based approach is taken to the analysis that is different than the March 2021 LNA that is based on increasing rates of intensification over time. The result is varying degrees of market shifts required to achieve *A Place to Grow* policy goals: in particular the shift of ground-related forms into apartment units by LNA scenario. Under the approach taken here, the forecast of 'market-based' demand is compared to the total available supply, including both VRLI supply and identified intensification potential, to illustrate the unit shortfalls. The "no expansion" scenario is addressed in more detail in the June 2021 Technical Update memorandum that is provided in Attachment 4.

Section 4: Updated Community Area Land Needs

The "No Urban Boundary Expansion" Scenario

2. Scenario Does Not Meet Provincial Planning Policy Requirements

As discussed at the December 2020 and March 2021 GIC meetings, the NUBE scenario was not modelled in the LNA because it did not meet Provincial planning policy requirements and was not considered to be good planning. We remain of this view for reasons summarized below:

- Since its inception in 2006, the Provincial growth plan has **consistently envisioned an expanded economic and demographic role** for Hamilton and other priority centres to the west. By virtually any measure, the forecast is for significantly more growth to 2051 compared to the past;
- Population growth will be driven by much higher levels of in-migration with employment growth supported by the City's burgeoning "Creative Industries" sector and a system of large, integrated and competitive Employment Areas. A **higher forecast is not suitable** in the context of long-standing forecast expectations and constraints on the available residential land supply;
- As shown in Table 2, the NUBE scenario results in a significant shortfall of ground-related units that would need to be 'shifted' into apartments. The **shift is not a simple "1 for 1" transfer** but rather an increase in the number of larger family-sized households that must choose to live in apartment units. The provision of new '**family-friendly**' apartments remains limited for most municipalities, including Hamilton;
- Speculation at the urban fringe could lead to poorly planned, incremental expansions into the rural area, which is not good planning. Over time, rather than 'shift' into apartments the **ground-related market would likely migrate** to locations outside of Hamilton in the southwest GGH;
- Such a dispersal would have the effect of **redirecting growth to locations less able to manage** it and cause a regional misalignment of the Schedule 3 forecasts. It would also have the effect of planning for a lower growth forecast in Hamilton, which is **prohibited under the Provincial LNA Method**.
- Current **infrastructure constraints compound these challenges**, in particular the need to upgrade water and wastewater servicing capacity to support near-term intensification in the downtown UGC.

Recent correspondence from the Ministry is provided in Attachment 5 that confirms a no expansion option may not conform to Provincial policy requirements. Of particular concern is the risk of **negative regional impacts on Prime Agricultural areas** in the Outer Ring communities with lower intensification and density targets that would likely receive the additional growth pressure.

Section 5: Implications for Employment Area Land Need

Capacity-based Approach Taken to the Analysis

It is important to clarify that Employment Area land needs are based on a comparison of long-term demand to the capacity of the land supply at the forecast horizon in 2051. This is different than the approach taken to Community Area land needs that is based on the growth **increment** over the period to 2051.

Taking this approach means that current trends (in and of themselves) and expected absorption rates do not affect the result in terms of land need because the **analysis is based on capacity at the forecast horizon** without regard to intervening events since the forecast was adopted in *A Place to Grow* (2020). It is also important to note that underlying the Employment Area LNA is a **City-wide forecast of employment by type**, which has a strong bearing on the results:

- As explained in the LNA, most of the lands required to accommodate the forecast employment in 2051 are for "Employment Land" employment, i.e. jobs primarily in large, modern industrial-type buildings;
- Population-related employment tends to be accommodated in existing locations (such as the Downtown, major retail centres and other nodes) and through the normal course of secondary planning for new residential communities; and
- Major office employment occurs under a unique market dynamic and at extremely high densities, so requires very little urban lands.

For the Major Office category in particular, the LNA incorporates a more optimistic outlook than past analyses, supported by the City's recent resurgence as a major economic and cultural centre within the Greater Golden Horseshoe (GGH). Because major offices develop at such high densities, overall land need is reduced as more offices are included in the mix. For the Employment Areas in particular, the analysis anticipates a very efficient use of the existing supply in accordance with the economic outlook and Provincial policy directions to increase density.

Office Market Expectations

The Employment Area LNA begins with a forecast of employment by type, which underpins the conclusion that no new lands are required.

The outlook for Major Office employment has a **strong bearing on results** because population-related jobs tend to grow at consistent ratios to population and rural-based employment is set to remain stable over the period.

The outlook for Major Offices is for employment to increase from 15% to 19% of total employment, translating into **nearly 8 million sq. ft. of new space** including new builds and adaptive reuse projects in the downtown.

Should the major office market not perform as well as expected, **additional Employment Area lands may be required** to accommodate the forecast employment growth to 2051.

Section 5: Implications for Employment Area Land Needs

Density Assumptions are in Accordance with Provincial Policy

The employment density assumptions in the LNA are in accordance with *A Place to Grow* Section 2.2.5 that directs municipalities to make more efficient use of existing employment areas and vacant and underutilized lands and to increase employment densities, while ensuring the availability of sufficient land in appropriate locations to accommodate growth. Under this approach, there is no question that the **estimated capacity of existing areas is optimistic**:

- The almost fully developed Central Urban Areas are set to grow in employment whereas the experience of most other communities **tends to be one of stability or decline**. New jobs are added, but others are lost over time due to economic change or conversion to non-employment use;
- Similarly, the density of Developing Greenfield Areas increases overall, with the result that the analysis implicitly incorporates a certain amount of employment intensification in accordance with Provincial policy;
- A specific intensification adjustment is made for the Bayfront area to reflect the **unique potential on the Stelco lands** and continued strong growth at the Port of Hamilton, as discussed in the Phase 1 Bayfront *Market Opportunities Study – A Strategy for Renewal* noted previously.

The density input for the AEGD reflects a pattern of development characterized mainly by large distribution and logistics activities with some new manufacturing, similar to other comparable employment areas along the Highway 401 corridor in Peel and Halton regions. Major Office and Population-related Employment is limited, to reflect City and Provincial policy directions to support the downtown UGC as the centre for commercial and institutional employment. Full development of the land supply is also assumed, which is optimistic from a market perspective.

Similar to the major office market expectations, if these policy-based expectations are not achieved, additional employment area lands could be required.

Bayfront Intensification

As explained in the 2016 Strategy for Renewal, the Bayfront area represents a significant **opportunity for employment intensification**.

The biggest opportunity relates to the **potential on the Stelco lands**. As such, a specific adjustment is made for LNA purposes.

The potential is estimated based on **80% development of the 150 ha Phase 1 lands** previously identified at a density of 37.5 jobs/ha, or approximately 4,500 jobs.

Continued growth at the Port of Hamilton is estimated to result in 2,500 new jobs to 2051, based on maintaining the reported on-site growth rate since 2018.

After accounting for declines in the existing employment base of roughly 2,000 jobs, the outlook is for **5,000 net new jobs to 2051**.

Section 5: Implications for Employment Area Land Needs

City will Need to Monitor Land Supply Going Forward

As discussed previously, the Peer Review suggests that Employment Area land need could be higher if lower density inputs were incorporated into the analysis. For example, at a standard industrial density of 37.5 jobs per net ha and "net to gross" factor of 80%: **a shortage of 19,600 jobs would translate into a need for roughly 650 gross ha**, as noted previously. While we would not necessarily support the use of existing 2016 densities within *A Place to Grow* context, it is nevertheless correct that land needs would be higher under a less optimistic policy-based approach to the analysis.

Employment land **conversion also remains a concern**, especially given the direction arising out of the August 4th 2021 GIC meeting to add sites to the list for consideration. Should significant additional conversions be approved, there may be a need to offset this loss by providing additional employment lands to ensure the City's ability to accommodate growth to 2051. Other factors could also shift the current balance into a shortage position, including lower than expected office growth, declines in the density of existing employment areas or delays in the anticipated redevelopment of the Stelco lands, particularly in regards to servicing agreements.

We remain of the view that supply and demand are in balance to 2051 but further conversions or other economic and market factors could change that balance. Accordingly, the City will need to closely monitor the land supply going forward and, if necessary, undertake a re-evaluation at the time of the next MCR. Given the very large potential supply of Employment Area lands, and unlike Community Area lands, there is no need to provide additional supply for current planning purposes.

However, as explained in the LNA, **actions will need to be taken to encourage efficient use of the land base** on both vacant and occupied lands. Employment intensification will need to be actively facilitated, especially in developed central urban employment areas, and higher intensity employment uses must be encouraged in developing greenfield areas. A combination of land use planning permissions and financial and other incentives are required for new users to adopt high quality building standards. This objective will be a particular challenge to achieve in the AEGD, where strongest demand is expected for relatively low-density goods movement and logistics facilities.

Attachment 1

Background Reports to the March 2021 LNA

Background Documents to the March 2021 LNA

The March 2021 LNA relies on information from a number of background documents and other City materials. The relevant documents are summarized below.

- *Residential Intensification Market Demand Study*, Lorus and Associates in association with Hemson Consulting Ltd, March 2021
- *Residential Intensification Supply Update*, City of Hamilton, March 2021
- *Existing Designated Greenfield Area Density Analysis*, City of Hamilton, March 2021
- *Employment Land Review*, City of Hamilton, August 2021
- *GRIDS2 Growth Summary 2006 – 2016*, City of Hamilton, August 2017
- *Foreign Direct Investment Economic Development Strategy*, Deloitte, January 2016
- *Residential Land Needs Analysis Technical Working Paper*, Deloitte, November 2016
- *Bayfront Industrial Area: A Strategy for Renewal*, Deloitte, August 2015
- *The Current and Future State of Hamilton's Advanced Manufacturing Sector*, Deloitte, October 2013
- *Employment Area Land Budget Update*, Hemson Consulting Ltd., September 2009 and subsequent updates and revisions undertaken as part of the Ontario Municipal Board (OMB) proceedings for the *Airport Employment Growth District* (AEGD) in 2012 and 2013;
- *Employment Land Conversion Analysis*, Hemson Consulting Ltd., February 2008
- *Comprehensive Employment Study* (CES), Hemson Consulting Ltd., 2008 and associated Peer Review prepared by Metropolitan Knowledge International (MKI), September 2007

In addition to the background documents above, the LNA makes use of information provided by:

- The *Vacant Urban Residential Land Inventory* (VRLI) that provides information on the supply of vacant land for residential development within the urban area by community, structure type and development status
- The *Employment Area Inventory* that provides a parcel-by-parcel listing of land supply in the Business Park and Industrial Areas, including site size, location and servicing status
- The *Annual Employment Survey* (2016-2019) that documents business growth by sector and key trends in the nature and location of employment and land use across the City

Attachment 2

Watson Peer Review Report



City of Hamilton
Land Needs Assessment
Peer Review

City of Hamilton

Final Report

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List of Acronyms and Abbreviations

BUA	Built-up Area
DGA	Designated Greenfield Area
GGH	Greater Golden Horseshoe
LNA	Land Needs Assessment

Chapter 1

Introduction

1. Introduction

1.1 Terms of Reference

Watson & Associates Economists Ltd. (Watson) was retained in July 2021 by the City of Hamilton to undertake a Peer Review of the following reports prepared by Lorus & Associates:

- City of Hamilton Land Needs Assessment to 2051 Technical Working Paper – Summary of Results, March 2021; and
- City of Hamilton Residential Intensification Market Demand Analysis, March 2021.

The first document listed above focuses on the City's urban land needs, while the second document listed provides further information regarding market demand for residential intensification within the City of Hamilton. These documents are hereinafter referred to as the "City's LNA Documents" when referred to collectively.

Upon our review of the City's LNA documents, Watson prepared a list of questions and comments that were discussed with Lorus & Associates on August 5, 2021.

Subsequent to this meeting Lorus & Associates provided supplemental background information to Watson. The supplemental background information was also reviewed by Watson, in addition to the City's LNA Documents referenced above.

1.2 Scope of Peer Review

This peer review includes an assessment of the overall study approach and application of the requirements by component of the Provincial Land Needs Assessment (LNA) Methodology for the Greater Golden Horseshoe (GGH), 2020, hereafter referred to as the Provincial LNA Methodology.¹ The Provincial LNA methodology requires a series of inputs and analyses for each component. Each of these inputs should be tested to validate assumptions and their sensitivity within the framework of the Provincial LNA Methodology, which emphasizes providing a market-based supply of housing while conforming to the Growth Plan for the Greater Golden Horseshoe (GGH), 2020,

¹ A Place to Grow: Growth Plan for the Greater Golden Horseshoe. Land Needs Assessment Methodology for the Greater Golden Horseshoe (GGH), 2020. Ontario.

hereafter, referred to as the Growth Plan.² Watson has reviewed the data and analysis provided in the City's LNA documents to confirm if the assumptions and analysis logically support the conclusions regarding the City's long-term Land Need Scenarios, including: 1) Growth Plan Minimum, 2) Increased Targets and 3) Ambitious Density. Further, our peer review identifies potential gaps that the City's consulting team should potentially explore to strengthen the City's LNA analysis and conclusions.

Based on the aforementioned, our review of the City's LNA Documents includes the following:

- A high-level examination of the methodology adopted in the City's LNA Documents, including underlying assumptions and overall empirical design;
- A review of key inputs and supporting analysis related to required Growth Plan targets, including: percentage housing intensification, Designated Greenfield Area (DGA) density, and Employment Area density;
- An examination of the overall conclusions provided in the City's LNA documents; and
- Recommendations to strengthen the City's LNA Documents.
- It is important to note that as part of our review, Watson has not undertaken comprehensive original research or data compilation related to the City's LNA.

² A Place to Grow: Growth Plan for Greater Golden Horseshoe (GGH). Office Consolidation, 2020. Ontario.

Chapter 2

Summary of Key Findings

2. Summary of Key Findings

In accordance with the findings of our review, it is our opinion that the overall approach and methodology utilized in the City's LNA Documents prepared by Lorus & Associates is generally an appropriate application of the Growth Plan and the Provincial LNA Methodology. Notwithstanding, we have identified key areas of the LNA documents that would benefit from further clarification and additional supporting analysis, which are discussed below.

2.1 Review of Land Needs Assessment Scenarios

Three scenarios are contemplated in the City's LNA Documents, including:

- 1) Growth Plan Minimum: 50% intensification, Community Area density of 65 people and jobs/ha in new greenfield areas.
 - 2) Increase Target: 50% Intensification to 2031, 55% to 2041, 60% to 2051 and Community Area density of 75 people and jobs/ha on new greenfield lands.
 - 3) Ambitious Target: 50% Intensification to 2031, 60% to 2041, 70% to 2051, Community Area density of 77 people and jobs/ha on new greenfield lands.
- While not specifically noted in the City's LNA Documents, it is our understanding that that the Ambitious Density Scenario had been selected by staff as the preferred scenario. This scenario is premised on the following:
 - A transitional housing intensification target starting at 50% of total City-wide housing growth to 2031, followed by 60% to 2041 and 70% to 2051;
 - 60 people and jobs per ha in the existing designated area of the DGA;
 - Community Area density of 77 people and jobs/ha on new DGA expansion lands;
 - Community Area land need of 1,340 gross ha; and
 - A small surplus (60 net ha) of Employment Area land to 2051.
 - All scenarios adopt the Growth Plan, Schedule 3 population and housing forecasts to 2051 for the City of Hamilton.

- The housing forecast by structure type utilized for the Growth Plan Minimum Scenario has been derived from a report, entitled, "Technical Report: Greater Golden Horseshoe Forecast to 2051", hereafter referred to as the Technical Report to the Growth Plan.³
- All scenarios assume the same density assumptions for Employment Areas.

As further background to the City's LNA Documents, a memorandum prepared by Lorus & Associates, entitled, "City of Hamilton Land Needs Assessment (LNA) Technical Update", prepared as of July 31, 2021, was reviewed as part of our review. This memo provides the following supplemental information with respect to the City's LNA Documents and the corresponding long-term Land Need Scenarios:

- An illustrative Current Trends scenario was prepared to show the results of a lower intensification target (40% of new units). It was noted that this scenario is not considered suitable given the potential for Hamilton to shift the pattern of development towards denser urban forms.
- It was noted that a "No Urban Expansion Option" was not modelled, as such an option does not meet Provincial planning policy requirements and is not considered good planning. It was suggested that a No Urban Expansion Option would result in the City not meeting its Schedule 3 minimum forecasts, as growth would be directed elsewhere.
- The density assumption under the Ambitious Density scenario, for new greenfield housing is very high: on average 35 units per net ha for single and semi-detached units and 70 units per net ha for row houses. It is further noted, while there may be some site-specific examples of such units at higher densities, on a community-wide basis the Ambitious Density Scenario represent an extremely compact urban form.
- The Ambitious Density Scenario is not a pure "market-based" approach to the LNA, but rather embodies deliberate policy intervention to optimize the use of the existing urban land supply and avoid over-designating land for future urban

³ Greater Golden Horseshoe: Growth Forecast to 2051, August 26, 2020. Technical Report. Hemson Consulting Ltd.

development while still planning to achieve the Schedule 3 Growth Plan forecasts. Given the level of policy intervention involved, the Ambitious Density Scenario requires careful monitoring and reporting on progress to ensure a balanced supply of housing types to 2051, in accordance with the mandated LNA method.

Comments:

- It should be noted that the Growth Plan minimum for the City of Hamilton is 50% residential intensification and an average of 50 people and jobs/ha across the entire DGA, as per Growth Plan, policy 2.2.7.2. It is recommended that the description of the Growth Plan Minimum Land Needs Scenario should be modified accordingly to avoid confusion.
- As summarized in Table 19 of the City of Hamilton LNA to 2051 Technical Working Paper, we understand that the average density subject to policy 2.2.7.3 under the Ambitious Density Scenario is 60 people and jobs/ha with a higher density of 77 people and jobs assumed for Community Area expansion lands. The descriptions of the Land Needs Scenarios should include metrics on average people and jobs density over the entire DGA including both occupied and vacant lands. As per Growth Plan policy 2.2.7.3: "the minimum density target will be measured over the entire designated greenfield area."
- All three Land Needs Scenarios assume 60 people and jobs/ha for DGA lands currently designated within the City of Hamilton. The Land Needs Scenarios apply different densities for the urban lands to be brought into the settlement areas, but do not alter the average density on existing DGA lands. It would benefit the reader if this assumption was more clearly explained in Section 1 of the City of Hamilton LNA to 2051 Technical Working Paper when the Land Needs Scenarios are first introduced. It would also be helpful to understand the impact of the adjusted densities related to the settlement boundary expansion lands on the total DGA density (existing plus future lands) under each Land Need Scenario. It is important that this distinction is made in the City's LNA documents when addressing DGA density variation between the three Land Needs Scenarios.

- The City's LNA Documents would benefit from additional background analysis which describes existing conditions regarding average DGA density. It is unclear how much average DGA levels are expected to rise relative to existing conditions, and what the near-term real estate conditions are to support such a rise in average DGA density. It is recommended that DGA lands within registered unbuilt, drafted approved, proposed development applications, and lands with no development applications are identified and categorized. This would help to determine how much average the density on DGA lands in active plans are likely to increase relative to existing conditions, and what weight this represents when considering the City's total DGA land supply. It is recommended that further information is provided regarding the housing supply assumptions in Table 9 of the City of Hamilton LNA to 2051 Technical Working Paper by development approval status.
- Further context should be provided to explain why a higher DGA density (and/or a shift with a greater share of high-density) is assumed for the new Community Area lands (those in the whitebelt to be brought into the settlement areas) versus the existing DGA under each Land Needs Scenario. This should include a discussion which addresses if this proposed shift reflects anticipated market trends influenced by housing affordability, major infrastructure investment (i.e. high-order transit), demographics and planning policy, or simply just a planning policy shift. Further, it would be beneficial to discuss how a higher density assumption in the DGA would not undermine efforts to direct high density development in the BUA.

2.2 Review of City of Hamilton LNA Components – Community Area

2.2.1 Component 1 – Population Forecast

This LNA component requires that municipalities review the 2051 population forecast contained in the Growth Plan Schedule 3. It is important to note that the growth forecasts in Schedule 3 of the Growth Plan are considered minimums and municipalities may prepare alternative forecast scenarios that are higher, provided that such forecasts provide a range of housing options as well as providing additional labour opportunities for the GGH labour market.

Comments:

- Section 2 of the City of Hamilton LNA to 2051 Technical Working Paper provides a brief explanation to support the utilization of the Growth Plan Schedule 3 forecast - the minimum growth forecast. It is noted in the City's LNA documents that the forecast to 2051 is a significant amount of growth relative to the past: twice as much over the next 20 years than the last 20 years.⁴ It is further noted that the long-term growth outlook for Hamilton is positive and that this is consistent with the expectation of the Ministry of Finance Ontario's Long-Term Report on the Economy (2017).
- It is recommended that the City consider adding more context regarding the magnitude of growth anticipated to 2051, such as:
 - historical versus forecast annual City-wide population and employment growth rates;
 - a review of the City's share of historical/forecast population and employment growth for the City of Hamilton relative to the remaining GTA; and
 - the amount of forecast net migration required to achieve the minimum forecast relative to historical trends.
- Building on the above analysis, a statement should be provided that explains why that a higher growth forecast is not appropriate for the City of Hamilton.

2.2.2 Component 2 – Housing Need by Structure Type

This LNA component requires that GGH municipalities demonstrate that the housing forecast allows for sufficient choice to meet market demand and the projected needs of current and future residents. Further, an analysis of housing by structure type is required based on a forecast of age-specific housing propensity by type.

Comments:

⁴ City of Hamilton Land Needs Assessment to 2051 Technical Working Paper, p.10.

- Watson has reviewed the housing forecasts by structure type generated in the City's LNA Documents to assess whether the forecasts are supported by the analysis in the City's LNA Documents regarding future market-based trends. Ultimately, the City's analysis must demonstrate that the housing forecast which supports the preferred Land Needs Scenario offers a suitable range of housing choice reflecting anticipated demographic trends (i.e. trends in population age structure) and socio-economic trends (i.e. housing affordability) as well as lifestyle and other factors.
- As previously discussed, the City of Hamilton LNA to 2051 Technical Working Paper, places considerable emphasis on the Technical Report to the Growth Plan, as the baseline for its "Current Trends" forecast, with some modifications for accessory units.
- The City's LNA Document would benefit from additional analysis which describes recent trends in housing by structure across the City. Page 22 of the City of Hamilton LNA Technical Working Paper describes the required shift from the "Current Trends", to achieve the "Policy-Based" outcome. While it is implied in the City's LNA Documents it should be explicitly stated that a key objective of the City's LNA is to balance "future market-based" trends and Provincial policy over the 2021 to 2051 planning horizon, not simply shift "Current Trends" as a result of required planning policy objectives. As a starting point, the City of Hamilton LNA to 2051 Technical Working Paper would benefit by comparing the "Current Trends" housing forecast over 2016 to 2021 period with actual residential building permit activity (for new dwellings) or residential completion data between 2016 to 2020 for the City of Hamilton. The review would help show that "Current Trends" have already shifted further towards high-density housing over the past few years relative to the base analysis relied on using the Technical Report to the Growth Plan (a high-level review of recent housing trend has been prepared by Watson and is summarized in Appendix A). Further analysis could then be provided regarding the housing mix associated within active development applications to indicate where near-term trends in housing by structure type appear to be heading over the next decade.
- Ultimately, the housing mix and housing intensification target associated with the preferred Land Needs Scenario should strike a balance between delivering a future housing supply which reflects an appropriate shift in housing by structure

type reflective of anticipated market trends and required policy objectives. Without the background information suggested above, it is difficult to fully assess the reasonableness of the housing forecast by structure type associated with each of the Land Needs Scenarios.

2.2.3 Component 3 – Housing Allocations by Policy Area

This component requires an allocation of housing by type and by policy area, including DGA, built-up area (BUA) and Rural Area with consideration of servicing, affordability, market demand and urban structure.

Comments:

- Watson has reviewed the allocations between BUA and DGA to ensure that the City has allocated housing demand to support market choice of housing and policy direction. We have no significant concerns regarding the allocation of growth by policy area under the Growth Plan Minimum and Increased Target Land Needs Scenarios. Notwithstanding, the City of Hamilton Residential Intensification Analysis Market Demand Analysis report would benefit by providing more detail to demonstrate the composition of housing development within the BUA since 2006 by structure type. This would help illustrate the amount and percentage of “true” intensification as opposed to greenfield lands captured within the BUA which have since developed during the post-2006 period.
- The City of Hamilton Residential Intensification Analysis Market Demand Analysis Report would also benefit by providing additional commentary which supports how recent and planning high-order transit infrastructure investment is anticipated to support the planned shift towards higher housing intensification as set out in the Increased Target and Ambitious Land Needs Scenario. Recent experiences in Hamilton, as well as across other GTA municipalities, such as York and Peel Region, associated with major infrastructure investments and the corresponding market strength for housing intensification would help to rationalize the forecast shift proposed in the intensification forecast under the Increased Target and Ambitious Land Needs Scenario.
- While not a requirement of the Provincial LNA methodology, an allocation of the preferred Land Needs Scenario by urban settlement (e.g., Ancaster, Dundas,

Hamilton, etc.) would further illustrate local influences which are anticipated to inform key targets related to residential density intensification as well as Community Area and Employment Area density. The analysis at this geographic level is important in understanding potential imbalances of supply and demand across the municipality, as well as infrastructure phasing. It would also assist in developing planning policies and other planning/financial tools where larger gaps may exist between market demand and long-term policy objectives.

2.2.4 Component 4 – Housing Supply

This LNA component requires an extensive analysis of housing supply opportunities and available land to accommodate anticipated housing. A key task of this component is an intensification supply analysis that supports the intensification target, as informed by anticipated real estate market trends, as well as policy objectives of the Growth Plan (e.g., building complete communities and supporting transit).

Comments:

- Watson has reviewed the housing supply summarized in the City's LNA Documents. As previously discussed, it is recommended that the City consider providing supplementary information on the housing supply by structure type by status, e.g., draft approved, registered unbuilt and remaining vacant lands. This information would provide insights regarding the housing supply by structure type anticipated in the short and medium-term. Further, a commentary should be provided whether the City can accommodate Provincial Policy Statement (PPS), 2020, policy 1.4.1 (a) and (b):

"...maintain at all times the ability to accommodate residential growth for a minimum of 15 years through residential intensification and redevelopment and, if necessary, lands which are designated and available for residential development; and

maintain at all times where new development is to occur, land with servicing capacity sufficient to provide at least a three-year supply of residential units available through lands suitably zoned to facilitate residential intensification and redevelopment, and land in draft approved and registered plans."

2.2.5 Component 5 – Community Area Jobs

This LNA component requires that municipalities review opportunities to accommodate employment within the Community Area, as part of the Employment Analysis. This analysis is required for the people and jobs density target and ultimately the Community Area land needs analysis. Further, understanding the amount of non-residential growth within the Community Area is important when planning for complete Community Areas and ensuring an adequate mix of designated lands (e.g., commercial, residential and institutional).

Comments:

- It is noted on Table 17, page 33 of the City of Hamilton LNA to 2051 Technical Working Paper that a ratio of 1 job for every 8 residents is applied in Community Areas, however, this contradicts with the commentary on page 42 of the same report, which notes 1 Community Area job for every 4 residents. Perhaps the difference has to do with a different ratio assumed for the DGA versus the City-wide total, however this is unclear and should be explained.

2.2.6 Component 6 – Need for Additional Community Area Land

This LNA component requires the calculation of land demand in the DGA in accordance with the Growth Plan policy 2.2.7.3. The City's total DGA land supply, which was previously discussed in Component 4, is then compared against forecast total DGA land demand to arrive at a Community Area land need by 2051.

The Provincial LNA Methodology allows municipalities to explore adjustments to the LNA analysis, where necessary, such as provisions to account for housing vacancy rates and land vacancy (i.e. lands which are not anticipated for sale or development over the long-term planning horizon), as well as exclusions for lands that may not be developed over the planning horizon due to additional infrastructure requirements which consume land but do not generate a local population or employment yield (e.g. transit stations, highways). These adjustments are to be used, where necessary, to ensure that the municipalities plan for a range of market choice of housing.

Comments:

- The people and jobs density input is very sensitive. Without adequate supporting analysis, the density input can be perceived as subjective without market consideration. As previously discussed, the Hamilton LNA would benefit from a more fulsome discussion on DGA density metrics, including:
 - What is the current DGA density and associated housing mix on developed lands as of today?
 - What is the potential DGA density on lands that have been approved and draft approved for development?
 - How does a higher DGA density support a wider range of housing options and address housing affordability?
 - How does population-related employment impact the people and jobs density?

2.3 Review of City of Hamilton LNA Components – Employment Area

2.3.1 Components 1 and 2 – Employment Forecasts and Allocations

Consistent with the approach to forecast population, the Provincial LNA Methodology requires municipalities to review Schedule 3 of the Growth Plan and assess whether a higher forecast is required for employment. Further, municipalities are required to understand their current employment base and future employment opportunities by type (Employment Lands Employment, Population-Related Employment and Rural Employment) and location (Employment Area, Community Area and Rural Area). A key emphasis in the Provincial LNA Methodology is an understanding of how macro economic trends and regional drivers are anticipated to influence the amount, type and location of employment growth.

Comments:

Watson has reviewed the employment analysis prepared as part of the Hamilton LNA, including consideration of key disruptive forces and labour market trends. The City's

LNA documents provide an adequate discussion of current employment disruptors and labour market trends, however, no discussion is provided on recent local employment trends since 2016. It would be beneficial to include a commentary and any supporting analysis on development trends in established Employment Areas across the City. Most notably, how much and what type of development activity has occurred across the City's Employment Areas in recent years (i.e. past five to ten years).

Based on our discussion with Lorus & Associates, it is our understanding that the port lands in Hamilton have experienced strong growth over the past few years. The City of Hamilton Residential Intensification Market Demand Analysis document provides a brief discussion of the redevelopment potential of the port lands. It would benefit the City of Hamilton Land Needs Assessment to 2051 Technical Working Paper if additional background discussion of the port lands was included to support whether the Stelco lands are likely to develop at this density from a market perspective.

2.3.2 Components 3 and 4 – Employment Supply and Additional Land Required

Ensuring an adequate supply of designated lands for employment growth is critical for the long-term prosperity of the City of Hamilton. The Employment Area land supply is an important component of the LNA and should include insights on the characteristics of the land supply and its alignment with demand.

Comments:

Watson has reviewed the Employment Land Needs analysis provided in the City of Hamilton LNA to 2051 Technical Working Paper. The conclusions of the Employment Area LNA is that there is a surplus of 60 net ha by 2051. It is important to recognize that the Employment Area density assumption is a very sensitive input. The Employment Area density assumption utilized is 39.5 jobs over the 2016 to 2051 period. If the City utilized its Employment Area density as of 2016 of 24.3 jobs/ha, the City Employment Area capacity would decrease by approximately 19,600 employees.⁵

The City's Employment Area LNA uses 2016 as base year. It is recommended that the City consider providing more supporting analysis regarding the density assumption utilized and why the density is assumed to be considerably higher than what was

⁵ Based on vacant employment land supply of 1,290 ha.

observed as of 2016. This could include a sample analysis of recent development that has occurred on employment lands in recent years which supports the increasing Employment Area density trend.

The Provincial LNA Methodology document stresses that municipalities are to review the Employment Area land supply to ensure sufficient quantity to meet the overall employment demand and that they include lands that meet the attributes that are important to businesses. As part of this analysis, municipalities are required to consider the following in addition to the quantum of land needed to support employment growth:

- Servicing (either existing or near-term potential);
- Visibility, access to highways, proximity to other major goods movement facilities and corridors;
- A range and size of available sites to meet market choice, including:
 - vacancy factors to account for lands that may not develop to the Plan horizon;
 - a sufficient supply of large parcels to accommodate extensive uses; and
 - strategic investment sites to attract investment that may otherwise choose to locate outside of Ontario;
- Proximity to sensitive uses; and
- Other factors that reflect the changing need of businesses.⁶

It is our opinion that more is needed to explain how the City's Employment Area land supply is sufficient to accommodate employment growth over the short and long-term planning horizon. This should include a more detailed description of the supply characteristics of the City's Employment Areas, such as size of vacant parcels, serviced versus serviceable lands and potential servicing constraints that may influence the rate of land absorption in Employment Areas over the planning horizon.

⁶Provincial Land Needs Assessment Methodology for the Greater Golden Horseshoe (2020) document, p. 18.

In addition, City's LNA document would be strengthened by providing more background information to support the intensification assumptions regarding the Stelco redevelopment site. The potential of 5,000 jobs is very significant and warrants a discussion of the types of uses anticipated.

Chapter 3

Conclusions

3. Conclusions

As previously discussed, it is our opinion that the approach and methodology utilized in the City's LNA Documents prepared by Lorus & Associates is generally an appropriate application of the Growth Plan and the Provincial LNA Methodology. Notwithstanding, we have identified key areas of the City's LNA documents that would benefit from further clarification and additional supporting analysis, including:

- Greater details to demonstrate the composition of housing development within the BUA since 2006 by structure type. This would help illustrate the amount and percentage of "true" intensification relative to greenfield lands captured within the BUA, which have since developed during the post-2006 period;
- A summary of existing DGA density, density trends in active plans within the DGA and the change in the overall DGA density under each of the Land Needs Scenarios;
- Further characteristics of the Employment Area land supply to support businesses, attract investment accommodate employment growth over the long-term; and
- Justification of the Employment Area land density assumption.

Appendix

Appendix A: City of Hamilton Recent Housing Mix Trends

Figures A-1a and A-1b summarize recent residential building permit activity by housing structure type within the City of Hamilton between 2016 and 2020. As summarized, the housing unit mix has comprised 29% singles/semi-detached, 36% townhouses and 35% apartments. Apartments units have averaged 849 units annually within the City of Hamilton between 2016 and 2020.

Figure A-1a
City of Hamilton
Residential Building Permit Activity,
2016 to 2020

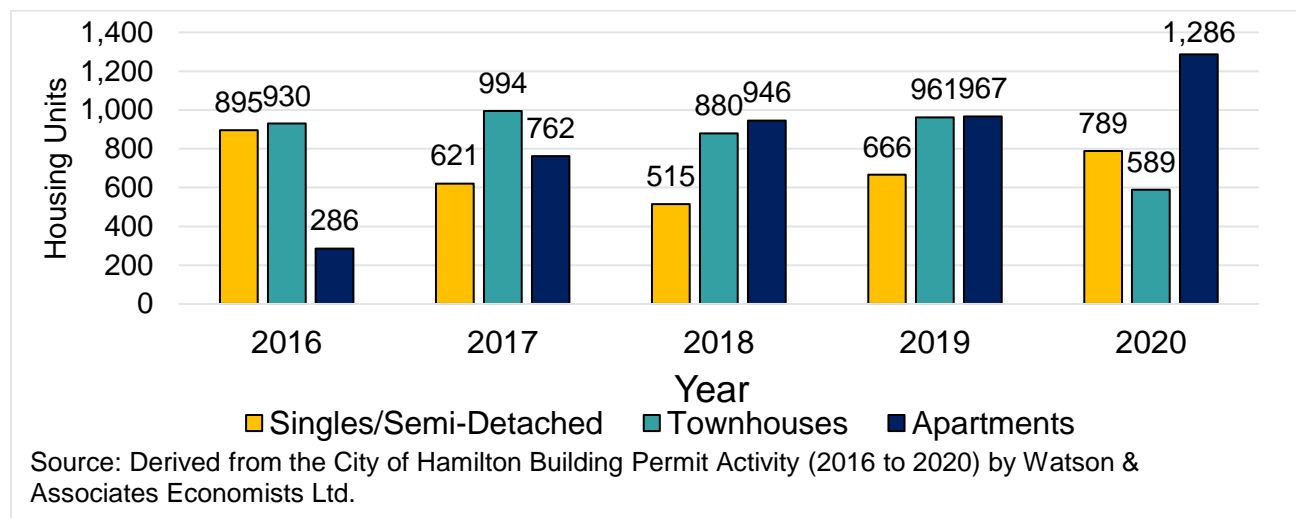


Figure A-1b
City of Hamilton
Residential Building Permit Activity,
2016 to 2020

	Singles/Semi-Detached	Townhouses	Apartments	Total
2016 to 2020	3,486	4,354	4,247	12,087
Share (%)	29%	36%	35%	100%
Annual	697	871	849	2,417

Source: Derived from the City of Hamilton Building Permit Activity (2016 to 2020) by Watson & Associates Economists Ltd.

Figure A-2 summarizes the estimated housing growth between 2016 to 2021 as reported in the City of Hamilton Residential Intensification Market Demand Analysis. This estimate, which is also consistent with the Technical Report to the Growth Plan, was used to update the City’s housing base by structure type to 2021 from the most recent 2016 Statistics Canada Census.⁷ It is noted that the City of Hamilton Residential Intensification Market Demand Analysis estimates a significantly lower share of housing growth in apartments between 2016 and 2021 (320 units annually or 15% of total housing compared to 849 units annually, or 35% of total residential building permits) as summarized in Figure A-1). While it is recognized that long-term trends may not be indicative of recent trends over the past five years, its important to highlight that the City of Hamilton has experienced a greater shift towards higher housing density over the past five years than estimated in the City of Hamilton Residential Intensification Market Demand Analysis report.

Figure A-2
City of Hamilton
City of Hamilton Residential Intensification Market Demand Analysis (March 2021)
Residential Unit Growth, 2016 to 2021

	Singles/Semi-Detached	Townhouses	Accessory Apartments	Apartments	Total
2016 to 2021	4,100	4,500	700	1,600	10,900
Share (%)	38%	41%	6%	15%	100%
Annual	820	900	140	320	2,180

Source: Derived from City of Hamilton Residential Intensification Market Demand Analysis March 2021 reported by Lorious Consulting. Forecasting by Hemson Consulting Ltd.

⁷ Greater Golden Horseshoe: Growth Forecast to 2051, August 26, 2020. Technical Report. Hemson Consulting Ltd.

Attachment 3

April 2021 LNA and Detached SDU Clarification Memorandum

Memorandum

Date:	April 15, 2021
To:	Joanne Hickey-Evans, Manager Steve Robichaud, Chief Planner and Director of Planning Heather Travis, Senior Project Manager, Growth Management Strategy Policy Planning & Zoning By-Law Reform Section, Planning Division
Cc:	Russell Mathew, Hemson Consulting Ltd.
From:	Antony Lorius
Subject:	City of Hamilton Land Needs Assessment (LNA) and Secondary Dwelling Units (SDU) to 2051

Purpose

The purpose of this memorandum is to address questions raised about the treatment of Secondary Dwelling Units (SDU) in the (LNA) to 2051. Of particular interest is the role that detached SDUs will play in accommodating growth including: “Laneway Houses”, “Garden Suites”, “Coach Houses”, “Carriage Houses” and other stand-alone secondary housing forms.

Introduction and Background

The LNA results and staff recommendations were presented to the General Issues Committee (GIC) on March 29th, 2021. Following the March 29th meeting, the City has received a number of questions and other community feedback on the LNA, especially SDUs. Of particular in interest is the treatment of detached SDUs as note above. Three broad issues have been raised:

1. The definition and classification of housing, by type, in the LNA generally;
2. The role that detached SDUs, particular, are expected to play in accommodating forecast growth in Hamilton over the period to 2051; and
3. The large potential supply for SDUs in the City’s “Built-up Area” that is likely to be created by the proposed new Zoning regulations that would create such a large theoretical supply of new detached units that no urban expansion is required to 2051.

These issues are addressed in turn in the sections that follow beginning with relevant definitions and classifications.

1. Definitions and Classifications

The Forecast of Housing by Type

Some questions have been raised regarding the definition of housing by structure type in the *Growth Plan* and the LNA. For clarification: the housing forecasts associated with the *Growth Plan* population forecasts are **based on the physical form of housing**, as defined by Statistics Canada. The nine detailed Statistics Canada categories are aggregated into the four main housing structure types used for land use planning: single-detached, semi-detached, rowhouse and apartment units:

- **Single, semi-detached and rowhouse units** generally follow the common usage definition but with no 'stacking'. Stacked townhouses are counted by the Census as "apartments in a building that has fewer than five storeys". An "apartment or flat in a duplex" is defined as "one of two dwellings located one above the other." In southern Ontario, duplexes are virtually all a single or semi-detached house divided into an upper and a lower unit or a house with an added basement suite. These are counted as two duplex units.
- Also included in the single-detached category are a small number of "mobile homes" and "other movable dwellings." A very small number of "other single-attached" are units that are a house attached to another building, such as a place of worship, a commercial or industrial building or an apartment building. Single detached, semi-detached and rowhouse units are often collectively referred to as "Ground-Related" housing.
- Most references to **apartment units** are all other units, including typical mid- and high-rise buildings and Duplex units, which are strictly defined as two units in what would otherwise be a single or semi-detached house.

Any other ground-related form with an added accessory unit is counted by Statistics Canada as an "Apartment in a building that has fewer than five storeys" – a miscellaneous category that also includes walk-up apartments, units in commercial buildings, stacked townhouses, row forms divided into two or more units and single-detached or semi-detached units divided into three or more units ('Triplexes', Four/Quadplexes and beyond).

Definition of "Accessory Units"

For the preparation of the 2020 forecasts, it was recognized that the Census definition of Duplex units was a poor descriptor of how these units were treated from a planning and land needs perspective. To address the matter, the Census definition of housing types is restated to better account for the creation of accessory units within existing single-detached units.

The Accessory Units category represents units within existing single and semi-detached housing forms; and **mainly basement units**, which have historically been most of this type of housing. Most of the rest are older Victorian two- or three-storey homes divided into a lower (main floor/basement) and upper (2nd/3rd floor) suites. The construction of new, purpose built two-unit dwellings (i.e., Duplexes) is extremely rare. The Accessory Unit category **does not include detached SDUs**. Detached SDUs are entirely separate from the main house on the property, so would be counted in the Census as a second single detached unit on the property.

It is also important to note that a standardized approach to preparing the housing forecast was taken in the 2020 Hemson report. Some refinements were made to the forecasts used in the LNA following the release of the Hemson report, based on more detailed housing market analysis for the City of Hamilton. These and other related technical matters are addressed in more detail in *Appendix G: Response to Technical Comments on the LNA methodology* to the *Final Land Needs Assessment Staff Report*, that was presented at the March 29th, 2021 General Issues Committee:

Categorization of Detached SDUs

Detached SDUs are a specific form of accessory units that are typically located within the rear yard of an existing home that may or may not have laneway access. The detached SDU itself is ‘accessory’ meaning subordinate in scale – i.e., smaller in comparison – to the main dwelling unit. They are almost always rented and not intended to be severed from the main lot.

Detached SDU forms include Laneway Housing, Garden Suites, Backyard Suites, Coach Houses, Carriage Houses and other stand-alone secondary forms. However, most of the new units are laneway houses in Vancouver and Toronto that range between 600 to 1,500 sq.ft. in size. Illustrative examples of new builds in the City of Toronto are shown below.



Since detached SDUs are physically separate from the main dwelling they are **considered to be single detached dwellings** for the purposes of the growth forecasts and LNA to 2051, in accordance with Census definitions by structural dwelling type. However, while detached SDUs may be built physically as a detached unit (similar to greenfield housing) they play a different role in accommodating growth in terms of the types of households choosing to live in them.

2. The Role of Detached SDUs in Accommodating Growth

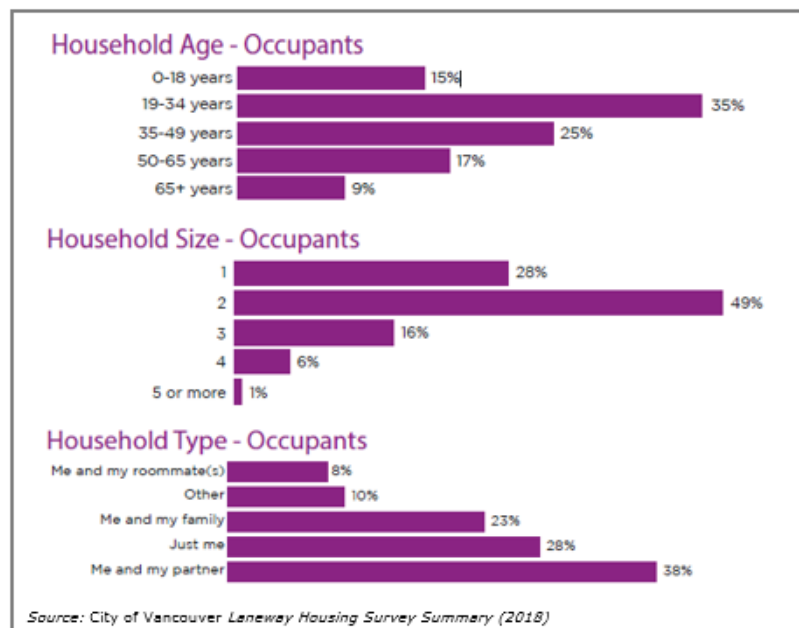
Detached accessory units will play an important role in accommodating the City’s housing needs over the period to 2051. There are many well-documented benefits, especially as part of the “Missing Middle”¹ housing market discussion and the need to address affordability challenges. To date, most new detached SDUs are laneway houses occupied by younger single and two-person households rather than families with children. The total number of units built also tends to be relatively low – in the City of Vancouver, for example, roughly 400 units per year.

¹ The Missing Middle refers to the range of housing types between traditional single-detached homes and high-rise apartments that have gone ‘missing’ from many large cities, including the City of Hamilton.

Occupancy Profile

Part of the community feedback received on the LNA results included reference to the experience of Vancouver's Laneway House (LWH) Program, which began in 2010 and is now widely considered to be a success story. A strategic review of the program was undertaken in 2018, including a survey of LWH owners and occupants to collect information on laneway house features including who is living in them, and what they're like as homes².

According to the survey, most of the households that are choosing to live in a laneway house are younger single or two-person households. Virtually all of the units are rented. Less than 25% of households reported as families with three or more people, as illustrated below.



The survey suggests that this occupancy profile is driven by the **generally smaller unit size**. Many of the laneway house occupants reported that more and better-configured space would make living in their unit better, especially more family and storage space.

This preference was also reflected in the top reasons driving the decision to move out of the unit, which also relate to the need for more space and a general preference to live in a larger home. Conversely, locational choice was the key attraction: with respondents reporting that the laneway house gave them an option to live close to work or school and transit, as well as the opportunity to live in a detached housing form in a particular neighbourhood in the city.

² City of Vancouver *Laneway Housing Survey Summary* (2018) prepared as part of the *Housing Vancouver Strategy 2018-2027* and *3-Year Action Plan 2018-2020*

The Growth Outlook

The outlook for detached SDUs in Hamilton is likely positive. To provide an indication of overall unit potential, in the City of Vancouver approximately 420 laneway housing units have been completed annually since 2010. It is understood that the City of Toronto is currently building approximately 100 units per year and is expected to catch up to Vancouver quickly.

City of Vancouver Laneway Housing Buiding Activity					
Building Permits Issued 2010-January 2021					
Year	<i>Laneway Dwellings</i>		\$ Value	\$ Per Unit	
	Permits	Units			
2021	19	19	\$3,858,743	\$203,092	
2020	384	384	\$74,346,119	\$193,610	
2019	470	470	\$90,744,031	\$193,072	
2018	734	734	\$143,733,479	\$195,822	
2017	589	589	\$112,048,474	\$190,235	
2016	500	500	\$91,758,618	\$183,517	
2015	523	523	\$92,818,870	\$177,474	
2014	377	377	\$60,116,337	\$159,460	
2013	352	352	\$51,696,739	\$146,866	
2012	354	354	\$43,349,376	\$122,456	
2011	232	232	\$28,038,904	\$120,857	
2010	192	192	\$19,004,019	\$98,979	
Average Annual Permits		426			

Source: City of Vancouver Statistics on Construction Activity, 2021.

In terms of overall unit production, it is unlikely that the City of Hamilton will achieve these levels of development activity for detached SDUs, including laneway housing. Both the City of Toronto and Vancouver are larger, much more expensive and offer a different economic context for detached accessory units compared to Hamilton. The number of such new units that will be completed annually in the City of Hamilton remains to be seen.

A pattern of escalating cost per unit is also shown.³ The typical cost of a new Laneway Housing unit today in Toronto typically ranges between \$400,000 to \$500,000 including the cost of construction, developer mark-up and profit, municipal fees, taxes and other charges.⁴ Notwithstanding local variations in cost, a new Laneway House typically requires a significant up-front investment and financial commitment from existing homeowners.

³ The reported value of building permits tends to be understated because it is typically based on the estimated value of construction only, not including other charges or fees. Moreover, in most cases building permit fees are based on this estimated amount which tends to result in a further to under-estimation of project values.

⁴ Cost range is illustrative. Of course, there is wide range of actual Laneway Housing cost depending on the specific project and local market conditions and there will be some projects that fall outside this range. Recent experience from the City of Toronto and Vancouver suggests that most new Laneway Housing Units are in the \$400,000 to \$500,000 range.

Accounting for SDUs in the LNA

For clarification: **Accessory units are not detached SDUs.** Accessory units are apartments added to an existing single-detached or semi-detached house. For convenience these accessory units are included as apartments for the purposes of the LNA because ground-related units rather than apartments generate land need. Detached SDUs are taken into account as part of the ground-related intensification that will need to occur within the built-up area to achieve the aggressive density and intensification targets envisioned in the *Ambitious Density* Scenario.

To achieve the *Ambitious Density* Scenario the City will need to accommodate 66,190 net new units through intensification: mostly in the form of mid- and high-rise apartment buildings. However, some ground-related intensification is also required: **3,310 Singles/Semis and 9,930 Townhouses.** This distribution is shown in Table 5 from the *Final Land Needs Assessment Staff Report*, that was presented at the March 29th, 2021 General Issues Committee, reproduced below for convenience.

Table 5: City-wide Unit Growth, by Type, 2021 to 2051 – Ambitious Density Scenario

Area	Singles / Semis	Townhouses	Apartments (includes accessory units)	Total
	# units	# units	# units	# units (%)
Built-up Area	3,310	9,930	52,950	66,190 (60)
Existing Designated Greenfield Areas	5,570	7,120	2,650	15,330 (14)
Urban Expansion Area	18,110	10,550	n/a	28,660 (26)
Rural	140			140 (>1)
City Total (%)	27,120 (25)	27,600 (25)	55,600 (50)	110,320 (100)

Source: Lorus & Associates, Land Needs Assessment Technical Working Paper, 2021

For the Singles and Semi-detached category, the estimated 2021 vacant supply within the Built-up Area is 910 units.⁵ Comparing the supply of 910 units to demand of 3,310 units indicates a **shortage of 2,400 Single and Semi-detached net new units** that will need to be accommodated through intensification, or roughly 80 net new units per year to 2051.

Detached SDUs will be required, along with severances, to meet the intensification target because the redevelopment economics of older urban areas favours higher-density residential forms such as row-houses and apartments in most circumstances. The development of new single-detached units through intensification tends to be limited and mostly as replacements of existing houses; often typified by the construction of “monster” homes in affluent urban neighbourhoods.

⁵ The December 2019 Vacant Residential Land Inventory (VRLI) shows a total vacant supply of approximately 1,140 Single and Semi-detached units for Inside the Built Boundary. As can be derived from Table 10 in the LNA to 2051, approximately 230 Single and Semi-detached units will have been completed from year-end 2019 to mid-2021. Removing the 230 completed units to mid-2021 from the December 2019 VRLI supply total of 1,140 units yields the estimated 910 units.

3. Supply Potential and Zoning By-Law Implementation

Implications for LNA Results

As noted in the introduction, part of the community feedback received on the LNA results also included reference to the large potential supply for detached SDUs within the City's "Built-up Area" that is likely to be created by the proposed new Zoning regulations.

There is no question that a large potential exists. However, while detached SDUs are built physically as a detached unit, they function mainly as a more attractive rental apartment option for new residents seeking an affordable detached unit within a particular downtown neighbourhood. As shown by the City of Vancouver's experience, units tend to be occupied not by families but younger single and two-person households: a finding likely driven by their generally smaller size.

From a land needs perspective, therefore, detached SDUs within the Built-up Area is generally not a direct substitute for ground-related, ownership housing in greenfield areas. And in any event – to put it somewhat more plainly – there are just not that many of them. Even if the City of Hamilton were to achieve a level of building activity comparable to the City of Vancouver, these units would still only account for a very small part of the total housing demand to 2051. These types of units also tend to be expensive to build and maintain, which compounds the supply challenge.

Cost Constraints

The construction of any new residential dwelling unit requires significant investment. Traditional SDUs in general – either a basement suite or upper-lower apartment – involve substantial renovation costs and expense to create and deliver to market, legally at least. Detached SDUs are even more expensive because they are essentially a new custom home only smaller.

As noted previously, the average cost of a new laneway house in Toronto ranges between \$400,000 and \$500,000 per unit, which in most cases would need to be financed. Following completion of the construction process, paying off the loan required to build the unit would normally take several years. During this time the homeowner would need to take on increased financial risk, act as combined leasing agent, landlord and property manager, lose outdoor yard space and all the while pay increased taxes and other expenses to maintain the unit.

There may be a financial incentive to make this commitment amongst younger households that can afford both the purchase price of the home plus the cost of building the accessory unit. However, for older households with average to higher retirement incomes it may not be worthwhile. And for those households that actually need the money for retirement, most would find other options such as reverse mortgages or downsizing easier and more financially attractive. These cost constraints are part of the reason why detached SDUs (mainly laneway housing) tends to be a relatively small, but still very important part of the housing market.

By-Law Implementation

The City's proposed zoning by-law would permit detached second dwelling units SDU-D of right in all residential zones. These zoning permissions, if approved, go beyond the laneway housing models because the SDU-D can be on interior lots or laneway lots. It has been suggested that this change will create such a large potential supply of single-detached units in existing residential zones – well in excess of the approximately 44,000 units allocated to the DGA under the *Ambitious Density* Scenario (shown previously in Table 5) – that no urban expansion is therefore required.

In theory this may be correct but in practice is not that easy. Once the by-law is implemented there could be a short-term 'spike' in new SDUs due to the legalization of previously non-conforming units, but this would not necessarily indicate long-term demand potential. Detached SDUs are not a direct substitute for ground-related housing in greenfield areas and are expensive and onerous for individual homeowners to provide. Some households may have an incentive to take on the risk and commitment involved: however, it is not clear how zoning regulations could force the production of the 40,000+ units otherwise required to accommodate overall growth to 2051.

Detached SDUs will play an important role in meeting the City's future housing needs as part of a balanced approach to accommodating growth that includes both intensification within the Built-up Area and carefully managed expansion areas.

Detached SDUs will play a particularly important role in accommodating ground-related intensification allocated to within the Built-up Area that will be required to achieve the *Ambitious Density* Scenario. The limiting factor is not the theoretical supply, but the number of homeowners prepared to deliver these units to market and the types of households that will choose to live in them.

We trust this memorandum is of assistance and provides the clarification required. Please do not hesitate to let me know if you have any questions or require any additional information

Attachment 4

July 2021 LNA Technical Update Memorandum

Memorandum

Date:	July 21, 2021
To:	Heather Travis, Senior Project Manager Growth Management Strategy Policy Planning & Zoning By-Law Reform Section, Planning Division
Cc:	Steve Robichaud, Chief Planner and Director of Planning
From:	Antony Lorius
Subject:	City of Hamilton Land Needs Assessment (LNA) Technical Update

Purpose

The purpose of this memorandum is to provide an update to the City of Hamilton Land Needs Assessment (LNA) to 2051 in regards to two matters: the forecast for detached Secondary Dwelling Units such as “Laneway Houses” and “Garden Suites”; and the “No Urban Boundary Expansion” Scenario. These two matters have implications for the results of the March 2021 LNA and the City’s ongoing growth management process.

Background and Context

December 2020 Draft Land Need Scenarios

As you know, the LNA is being undertaken to support the update of the Growth-Related Integrated Development Strategy (the GRIDS 2 update) and the Municipal Comprehensive Review (MCR) over the period to 2051. The draft results were presented to the City’s General Issues Committee (GIC) on December 14th, 2020. Three main scenarios were identified based on varying residential intensification (RI) targets and greenfield density inputs:

- The *Growth Plan Minimum* Scenario, which is based on an average of 50% of new units inside the built boundary and a density of 65 residents and jobs combined in new greenfield areas; which resulted in a land need of **2,200 gross ha**;
- The *Increased Targets* Scenario; which is based on an average of 55% of new units inside the built boundary and a density of 75 residents and jobs combined in new greenfield areas; which lowers the land need to **1,640 gross ha**; and

- The *Ambitious Density* Scenario, which is based on still higher rates of RI (an average of 60% of new units inside the built boundary) and density in new greenfield areas (77 residents and jobs combined per ha), which lowers land need further to **1,340 gross ha**.

An illustrative *Current Trends* scenario was also prepared to show the results of a lower intensification target (40% of new units). However, this scenario is not considered suitable given the potential for Hamilton to shift the pattern of development towards denser urban forms. Similarly, the no urban expansion option was not modelled at the time. In our view, a no expansion option does not meet Provincial planning policy requirements and is not considered good planning.

The Ministry of Municipal Affairs and Housing has reviewed the draft LNA and provided preliminary comments in a letter dated December 15, 2020. Among other matters, Provincial staff confirm that the draft LNA conforms to the requirements of the mandated method for completing the analysis, in particular the need to consider market demand across the range of housing types. Provincial staff also notes that the three draft scenarios support the minimum density and intensification targets established in *A Place to Grow* (2020) for the City of Hamilton.

March 2021 *Ambitious Density* Scenario Recommendation

Following the December 2020 GIC meeting, data updates and other minor revisions were made to the draft LNA. Final results were presented to the City's GIC on March 29th, 2021. City staff recommended that Council adopt the *Ambitious Density* Scenario, which represents an aggressive approach to growth management from a planning perspective. In particular:

- The *Ambitious Density* Scenario is based on a substantial increase in the total amount of RI that occurs over the period to 2051. This expectation has the effect of substantially reducing the amount of urban expansion lands required to accommodate growth;
- Similarly, the density factors for new greenfield housing are also very high: on average 35 units per net ha for Single and Semi-detached units and 70 units per net ha for Row houses. While there may be some site-specific examples of such units at higher densities, on a community-wide basis the *Ambitious Density* factors represent an extremely compact urban form; and
- The expectation for population-related employment is optimistic – estimated at 1 job for every 8.0 new residents in new greenfield areas. This ratio is slightly lower than the existing greenfield area (meaning proportionately more population-related jobs) to take into account the potential for increased levels of remote working that have already begun to occur as a result of the abrupt changes brought about by the COVID Pandemic.

The *Ambitious Density* Scenario is therefore **not a pure “market-based” approach** to the LNA, but rather embodies deliberate policy intervention to optimize the use of the existing urban land supply and avoid over-designating land for future urban development while still planning to achieve the Schedule 3 *Growth Plan* forecasts. Given the level of policy intervention involved, the *Ambitious Density* Scenario requires careful monitoring and reporting on progress to ensure a balanced supply of housing types to 2051, in accordance with the mandated LNA method.

Council Decision and the GRIDS 2/MCR Urban Growth Survey

Rather than adopt the *Ambitious Density* Scenario, Council deferred the decision and instead directed staff to undertake additional public consultation on the question of urban boundary expansion. A City-wide consultation survey was mailed out to all residents in June, 2021, seeking input on the *Ambitious Density* Scenario, a No Urban Boundary Expansion Scenario and that also allows residents to submit their own alternative scenario. The survey results are to be compiled and presented as part of the GRIDS2 report back at the GIC meeting in October 2021. Council also directed staff to model and evaluate the No Urban Boundary Expansion Scenario and report back on the results in October.

A number of other changes have occurred since the March 29th GIC meeting, particularly in regards to the treatment of Secondary Dwelling Units (SDUs). Zoning by-law amendments have been adopted to permit SDUs as of right in all residential zones, including detached SDUs such as “Laneway Houses” and “Garden Suites” in the City’s urban area. City staff has also undertaken more detailed analysis in regards to the anticipated breakdown of intensification units (by type) within the “Built-up Area” as input to future growth and infrastructure modelling exercises.

These changes have implications for the March 2021 LNA results, which are described below to assist the City and Provincial planning staff in their consideration of the matter. The required housing market shifts and growth management implications of the no boundary expansion option is also described, in accordance with the March 2021 Council direction.

Forecast of Detached Secondary Dwelling Units (SDU)

Secondary Dwelling Units (SDUs) will play an important role in meeting the City’s future housing needs, including “Laneway Houses”, “Garden Suites”, “Coach Houses”, “Carriage Houses” and other stand-alone secondary housing forms. For detached SDUs in particular, the overall growth outlook is expected to be limited: approximately 80 units per year to 2051.

Clarification and Definition of “Accessory Units”

As part of the ongoing GRIDS 2 and MCR process, staff have received a number of questions on the definition of housing by type in the *Growth Plan* forecasts, especially the distinction between “Accessory Units” and detached SDUs such as Laneway Houses or Garden Suites.

For clarification: **Accessory Units are not detached SDUs.** The “Accessory Unit” category in the 2020 *Growth Plan* forecasts and March 2021 LNA are apartments added to an existing single-detached or semi-detached house (e.g., basement suites) and do not include detached SDUs such as Laneway Houses or Garden Suites. The City’s new zoning by-law also permits SDUs in towns (rowhouses). For convenience, these accessory units are included as apartments in the March 2021 LNA because ground-related units rather than apartments generate land need. Detached SDUs are entirely separate from the main house on the property so would likely be counted in the Census as a second single detached unit on the property. Since detached SDUs are physically separate from the main dwelling they are considered to be single detached units for the purposes of the growth forecasts and LNA to 2051, in accordance with current Census definitions by dwelling type. This distinction will be clarified for the report back to the October 2021 GIC meeting.

The Role of Detached SDUs in Accommodating Growth

Detached accessory units will play an important role in accommodating the City's housing needs over the period to 2051. There are many well-documented benefits, especially as part of the "Missing Middle"¹ housing market discussion and the need to address affordability challenges. To date, the experience has been that most new detached SDUs are occupied by younger single and two-person households rather than families with children.²

Part of the community feedback received on the LNA results also included reference to the potential for detached SDUs within the City's Built-up Area that is likely to be created by the new Zoning regulations. It has been suggested that this change will create such a large potential supply of single-detached units in existing residential zones – well in excess of the approximately 44,000 units allocated to the Designated Greenfield Area (DGA) under the *Ambitious Density* Scenario – that no urban expansion is therefore required.

There is no question that a large supply potential exists. However, while detached SDUs may be built physically as a detached unit, they function mainly as a more attractive rental option for new residents seeking amenity-rich downtown neighbourhoods. From a LNA perspective, therefore, detached SDUs within existing areas are generally not a direct substitute for ground-related, ownership housing in greenfield areas. These types of units also tend to be expensive for private homeowners to build and maintain, which compounds the supply challenge.

Anticipated Distribution Within the City

Similar to residential intensification in general, the outlook for detached SDUs in the City of Hamilton is likely quite positive. However, it should be noted that predicting the level of future development can be a challenge since it is an emerging market with relatively little in the way of historic development patterns to provide a basis for the future growth outlook.

That said, a recent report prepared by CMHC provides some helpful context in terms of understanding the key factors underlying the distribution of secondary units in Ontario. Two of the key findings most relevant to the outlook for detached SDUs in Hamilton are that:

- Secondary units are more prevalent in older established areas, especially in close proximity to the downtown core and amenities, such as transit hubs; and
- Municipalities with newer homes (built 2010-2019) have a lower prevalence of secondary units, due, in part, to their pattern of dispersed essential amenities that require car travel that has traditionally been less appealing to renters.³

¹ The Missing Middle refers to the range of housing types between traditional single-detached homes and high-rise apartments that have gone 'missing' from many large cities, including the City of Hamilton.

² Based on the findings of the City of Vancouver *Laneway Housing Survey Summary* (2018) prepared as part of the *Housing Vancouver Strategy 2018-2027* and *3-Year Action Plan 2018-2020*

³ For the complete findings see the Canada Mortgage and Housing Corporation (CMHC) report: *Housing Market Insight Ontario, Secondary Units in Ontario*, June 2021.

Although the CMHC report does not specifically address the growth outlook for detached SDUs, the findings suggest that development is likely to be focussed more within the Built-up Area as opposed to the DGA. This finding echoes the results of the City of Vancouver survey noted previously, with respondents reporting that a key attraction of laneway housing was the option to live in a newer unit close to jobs, schools, transit and other urban amenities.

Growth Forecast to 2051

To provide an indication of overall unit potential, in the City of Vancouver approximately 420 laneway housing units have been completed annually since 2010, as shown in Table 1 below. It is understood anecdotally that in the City of Toronto approximately 100 detached SDUs are being completed per year but that unit production is expected to catch up to Vancouver levels quickly.

Table 1				
City of Vancouver Laneway Housing Building Activity				
Building Permits Issued 2010-May 2021				
Year	<i>Laneway Dwellings</i>		\$ Value	\$ Per Unit
	Permits	Units		
2021	104	104	\$20,209,989	\$194,327
2020	384	384	\$74,346,119	\$193,610
2019	470	470	\$90,744,031	\$193,072
2018	734	734	\$143,733,479	\$195,822
2017	589	589	\$112,048,474	\$190,235
2016	500	500	\$91,758,618	\$183,517
2015	523	523	\$92,818,870	\$177,474
2014	377	377	\$60,116,337	\$159,460
2013	352	352	\$51,696,739	\$146,866
2012	354	354	\$43,349,376	\$122,456
2011	232	232	\$28,038,904	\$120,857
2010	192	192	\$19,004,019	\$98,979
Average Annual Permits		421		

Source: City of Vancouver Statistics on Construction Activity, 2010-2021 ytd

It is unlikely that the City of Hamilton will achieve such high levels of development activity for detached SDUs, in particular for new Laneway Housing units:

- Virtually everywhere in Vancouver has lanes and they are all generally much wider and better-maintained than in Hamilton or Toronto;
- Based on a desktop review, it is estimated that Vancouver has more than 10 times the area of neighbourhoods with laneways compared to the City of Hamilton. Accordingly, a rate of 420 units per year might translate into **roughly 30 units per year**, which is likely optimistic given that not all laneways in Hamilton are public meaning that primary access to the unit may not be maintained as a public right of way throughout the City.

A similar number of “Garden Suites”, “Coach Houses” and other stand-alone secondary housing forms can be expected. Accordingly, for the purposes of the LNA and, again, recognizing the inherent challenges in predicting the future of such a new and emerging market segment, we would estimate roughly **40 additional units per year**. Most of these units are expected to be located within the Built-up Area (30 units per year) reflecting the attraction of urban locations for this type of development and limits on their development potential within the DGA.⁴

It is also understood that there is considerable interest in detached SDUs in the rural area. However, from a LNA perspective a conservative approach is warranted given the lack of any historical basis to judge future uptake and *Growth Plan* and City planning policies to direct growth to urban settlement areas with full municipal services. The City also has yet to determine the specific conditions under which detached SDUs will be permitted in the Rural area. Within this context, it is appropriate to allocate a relatively limited **10 units per year** to the Rural area.

These allocations result in a forecast of approximately **80 detached SDUs annually**, as shown below in Table 2, and focussed largely inside the Built-up Area. The allocation to the DGA and Rural areas is limited, however this situation would need to be monitored as part of the City’s growth management efforts over the planning horizon to 2051. Accounting for these 600 units (300 DGA and 300 Rural) has the effect of reducing overall land need, as discussed in the next section.

Table 2				
Forecast of Detached Secondary Dwelling Unit (SDU)				
Forecast annual and total units, City of Hamilton to 2051				
Policy Area	Annual Laneway House	Annual Garden Suite +	Total Annually	Total 2021-2051
Built-Up Area	30	30	60	1,800
DGA	-	10	10	300
Rural	-	10	10	300
Total	30	50	80	2,400

*Source: Lorus and Associates Based on Information from the City of Vancouver Statistics and Hemson Consulting Ltd.
Forecast includes Laneway Housing, Garden Suites and other stand-alone secondary housing forms*

Implications for the March 2021 LNA

The issue of detached SDUs is not explicitly addressed in the March 2021 LNA. However, these units were generally anticipated to form part of the ground-related intensification that will need to occur within the Built-up Area to achieve the policy-based targets in the *Ambitious Density* Scenario. Detached SDUs will form part of the “missing middle” intensification forms since the redevelopment economics of older urban areas favours higher-density row houses and apartment buildings in most circumstances. The provision of single-detached units through intensification tends to be limited and mostly takes place as replacements of existing houses.

⁴ For example, many ‘contemporary’ suburban lots may not be able to accommodate detached SDUs because of the minimum separation requirements that may eliminate many lots less than 100 ft. in depth. Only a portion of other types of housing lots such as street towns would be eligible (likely limited to ‘end’ lots, depending on lot depth and other factors) and other dwelling types such as duplex, triplex and other multiple forms are not eligible.

However, detached SDUs were not incorporated into the forecast for the DGA and Rural areas in the March 2021 LNA. The adjustment is undertaken in two steps:

- An additional 300 units (treated as single and semi-detached units) are allocated to the Rural Area, which reduces forecast DGA demand by this amount; and
- Similarly, an additional 300 units are included in the current DGA housing unit potential, which increases the available supply to accommodate growth.

The combined effect is to remove the land need associated with 600 single and semi-detached units (shown in Table 2) estimated at a density of 35 units per net ha and a net-to-gross factor of 50%, or approximately 30 gross ha. Accordingly, under the *Ambitious Density Scenario*, overall **land need is reduced from approximately 1,340 ha to 1,310 ha**

As noted previously, more detailed analysis of the intensification supply (by type) has been undertaken by City staff as input to growth and infrastructure modelling exercises. Updates have been made that shift the unit distribution inside the Built-up Area (particularly for rowhouse supply) but do not change DGA land need. City staff is also currently modelling the No Urban Boundary Expansion Scenario as part of the evaluation of growth options and preparation of Traffic Zone forecasts.

Implications of the No Urban Boundary Expansion Scenario

Provided below is a high-level discussion of the implications of the No Urban Boundary Expansion Scenario. The required housing market shifts and associated growth management implications are described, in accordance with the March 2021 Council direction, to assist the City and Provincial staff in their consideration of the matter.

Supply-Based Approach Taken

A supply-based approach is taken to the analysis, which is different than the March 2021 LNA that is based on increasing rates of intensification over time, for the various scenarios, which results in varying degrees of market shifts required to achieve *Growth Plan* policy goals: in particular the shift of ground-related forms into high density apartment units.

Under the approach taken here, forecast demand is compared to the available supply and unit shortfalls identified. Forecast demand is the “market-based” housing demand by type shown in the March 2021 LNA, adjusted for the additional 300 detached SDUs allocated to the Rural Area. The available supply is the estimated Vacant Residential Land Inventory (VRLI) supply as well as the updated intensification opportunities noted previously, including the detached SDUs that are expected to form part of the ground-related intensification inside the Built-up Area.

The results indicate a shortfall in market-based demand of **approximately 59,300 ground-related households** that would need to shift into apartments, as discussed in the next section.

Results Indicate Significant Shortfall in Market-based Demand

The results are set out in the series of technical tables below. Table 3 shows the market-based urban housing unit demand over the period to 2051 and the market-based mix of growth. Table 4 shows the unit supply potential, including detached SDUs and the updated intensification supply inside the Built-up Area. Table 5 reconciles supply and demand to show the shortage in ground-related households that would need to be 'shifted' into apartments.

				Table 3
Market-Based Housing Demand				
Component of estimate	Single & Semi	Row House	Apartment (all)	Total
City-wide Housing Unit Need 2021-2051	56,020	27,600	26,700	110,320
Allocation to Rural infill (RSA)	135			135
Allocation to Rural Detached SDU	300			300
Total City-wide Urban Demand 2021-2051	55,585	27,600	26,700	109,885
Market-based Mix of Growth	51%	25%	24%	100%

Source: Lorus and Associates based on March 2021 LNA Ambitious Density Scenario, forecast for Detached SDUs and updated information from City of Hamilton Staff 2021

				Table 4
Housing Unit Supply Potential				
Component of estimate	Single & Semi	Row House	Apartment (all)	Total
Estimated DGA Supply Mid-Year 2021	5,570	7,120	8,090	20,780
Adjustment for detached SDU	300	0	0	300
Residential Intensification Supply	3,280	7,630	55,160	66,070
Total City-wide Urban Unit Potential	9,150	14,750	63,250	87,150
Total Ground Related Unit Potential	23,900			

Source: Lorus and Associates based on March 2021 LNA Ambitious Density Scenario, forecast for Detached SDUs and updated information from City of Hamilton Staff 2021

				Table 5
Market-Based Housing Shortfall				
Component of estimate	Single & Semi	Row House	Apartment (all)	Total
Total City-wide Urban Demand 2021-2051	55,585	27,600	26,700	109,885
Total City-wide Urban Unit Potential	9,150	14,750	63,250	87,150
Market-Based Unit (Shortfall)/Surplus	(46,435)	(12,850)	36,550	(22,735)
Total Ground Related Unit Shortfall	(59,285)			

Source: Lorus and Associates based on March 2021 LNA Ambitious Density Scenario, forecast for Detached SDUs and updated information from City of Hamilton Staff 2021

As shown above, the results indicate a total ground-related housing unit **shortfall of 59,285 units** that would need to shift into apartments. The shift to apartments under the no expansion scenario is so significant that it exceeds the identified supply potential, including intensification within the Built-up Area. For apartment units in particular, approximately **22,735 units** would need to be accommodated in unidentified locations beyond those already determined by City staff.

Required Market Shifts Have Significant Implications

Under a no expansion scenario, nearly 80% of all new households would need to be accommodated within apartment units, including families. As illustrated in Table 6 below, this compares to 50% under the *Ambitious Density* Scenario and 25% under a market-based outlook for growth.

Housing Mix of Growth Comparison				
Growth 2021-2051	Single & Semi	Row House	Apartment (all)	Total
Market-Based Mix of Growth	51%	25%	24%	100%
<i>Ambitious Density</i> Scenario	25%	25%	50%	100%
<i>No Urban Expansion</i> Scenario	9%	13%	78%	100%
No Expansion Scenario shift from market	-42%	-12%	54%	0%

Source: Lorus and Associates based on March 2021 LNA *Ambitious Density* Scenario, forecast for Detached SDUs and updated information from City of Hamilton Staff 2021

Achieving this share of apartment unit construction is unlikely from a market demand perspective, as explained in the Residential Intensification Market Demand Report prepared as input to the March 2021 LNA. It should also be noted that the housing shifts required under either the *Ambitious Density* or no urban expansion scenarios are not a simple “1 for 1” transfer because ground-related units are typically occupied at higher Person Per Unit (PPU) factors than apartments.

Household formation and occupancy patterns are a social construct. Accordingly, the shift in growth patterns that must occur is not a simple increase in the number of apartment units. The shift that must occur is an **increase in the number of larger family-sized households** that would otherwise occupy ground-related housing, but that now must choose to occupy apartment units instead. From a planning perspective, therefore, the challenge is to maximize the tolerance of the market to be influenced by policy without jeopardizing the Schedule 3 forecasts.

Planning for a level of intensification that is well beyond reasonable market expectations carries the risk that the amount and mix of housing does not occur as planned and the *Growth Plan* Schedule 3 forecasts are not achieved. A highly restricted land supply would likely also have other unintended consequences and negative planning and growth management implications:

- As explained in the City’s March 2021 DGA Density Analysis report, a significant portion of the existing DGA is either already developed or subject to approved development applications. As a result, there is little opportunity to achieve further density increases without sacrificing public standards for parks, schools, institutions or environmental protection or undertaking a wholesale review of existing secondary plans in regards to housing mix;
- On the demand side, it is important to note that the *Growth Plan* and March 2021 LNA housing forecasts are for **net new units**. Because the forecasts are based on age structure, they take into account demographically-driven trends in household formation and unit type preferences, including the turnover of single-family dwellings “freed up” by an ageing population and taken up by younger households coming into the market. However, this type of housing turnover is not anticipated to happen until later in the forecast period (around 2040) and will not generate enough units to satisfy all of the demand for ground-related housing to 2051.

- Within this context, and after the total available DGA unit supply is consumed at some point prior to 2031, the lack of new growth areas would lead to speculation at the urban fringe and, more than likely, poorly-planned incremental expansions into the rural area;
- Maintaining public park and open space standards would become a major challenge over time. Schools, community services and other types of recreation would need to be provided in the urban area where significant sites are costly to acquire; and
- Rather than 'shifting' into apartments, the ground-related housing market would likely seek – and find – other locations outside of Hamilton in the southwest GGH. Such a dispersal would solve many of Hamilton's growth management challenges but would have the undesirable effect of redirecting growth to locations less able to manage it.

In our view, the No Urban Boundary Expansion Scenario would likely have the effect of redirecting growth away from the City of Hamilton which is not in accordance with the *Growth Plan* and is not considered to be good planning. The City of Hamilton is very well-suited to accommodate growth because of its urban structure, strategic location and well-developed multi-modal transportation connections within the broader metropolitan region.

We remain of the view that a balanced approach is required to manage growth, including intensification and carefully planned expansion areas. However, a third-party Peer Review is being undertaken to confirm that this approach and method meets applicable Provincial planning policy requirements. **It is also not clear if the No Urban Boundary Expansion Scenario would be acceptable to the Province based on the requirements of the *Growth Plan* and mandated LNA methodology.**

It would be very helpful for the province to provide guidance on this matter prior to the updated LNA and Peer Review findings being presented as part of the GRIIDS2 report back at the GIC meeting in October 2021. We trust this memorandum is of assistance. Please do not hesitate to let me know if you have any questions or require any additional information

Attachment 5

Ministry Letter in Regards to No Boundary Expansion Scenario

Ministry of Municipal Affairs
and Housing

Ministère des Affaires municipales
et Logement

Municipal Services Office
Central Ontario

Bureau des services aux municipalités
du Centre de l'Ontario

777 Bay Street, 13th Floor
Toronto ON M7A 2J3
Telephone : 416-585-6226
Fax.: 416 585-6882

777, rue Bay, 13e étage
Toronto ON M7A 2J3
Téléphone : 416-585-6226
Télec. : 416 585-6882



September 17, 2021

Steve Robichaud
Chief Planner and Director of Planning
Planning Division
Planning and Economic Development
City of Hamilton

Sent via email

Re: City of Hamilton Land Needs Assessment Technical Update

Dear Steve Robichaud:

Thank you for circulating the City of Hamilton Land Needs Assessment Technical Update ("technical update"). The Ministry of Municipal Affairs and Housing ("the Ministry") wishes to acknowledge the significant amount of work that has gone into preparing the City's draft land needs assessment materials to date.

The comments below are intended to assist the City in its Municipal Comprehensive Review (MCR) and conformity with A Place to Grow: The Growth Plan for the Greater Golden Horseshoe ("A Place to Grow") and the Land Needs Assessment Methodology for the Greater Golden Horseshoe, 2020 ("LNA Methodology").

In November 2020, the City of Hamilton shared the Draft Land Needs Assessment to 2051 with Ministry staff for preliminary review. The draft included three scenarios (*Growth Plan Minimums*, *Increased Targets*, *Ambitious Density*) based on varying intensification and density targets. In a letter to the City dated December 15, 2020, the Ministry's Ontario Growth Secretariat noted that each of the three scenarios included in the draft appeared to conform to the LNA Methodology.

In March 2021, City staff recommended that Council adopt the *Ambitious Density* scenario which implements a 60 per cent annual intensification target and a designated greenfield area density target of 77 residents and jobs combined per hectare. The *Ambitious Density* scenario creates a total land need of 1,310 gross hectares to 2051. Council deferred their decision on the City's Draft Land Needs Assessment to 2051 and

directed staff to undertake additional analysis on a *No Urban Boundary Expansion* scenario (no new land need to 2051).

In July 2021, the technical update was issued to City staff. In summary, the technical update outlines preliminary findings that, if adopted, the *No Urban Boundary Expansion* scenario would produce a shortfall of approximately 59,300 ground-related units.

The Ministry understands that the City is seeking input on whether the *No Urban Boundary Expansion* scenario, as described in the technical update, would conform to A Place to Grow and the LNA Methodology. Ministry staff have evaluated the technical update and wish to provide the following comments.

Municipalities are required to determine the need to expand their settlement area boundaries using the LNA Methodology issued by the Minister in accordance with policy 2.2.1.5 of A Place to Grow. The LNA Methodology requires municipalities to ensure that sufficient land is available to accommodate market demand for all housing types including ground-related housing (single/semi-detached houses), row houses, and apartments. This requirement is consistent with direction in the *Provincial Policy Statement, 2020* and Section 2.1 of A Place to Grow. Ministry staff acknowledge that the *No Urban Boundary Expansion* scenario is likely to bring about a shortage in land available to accommodate forecasted growth in ground-related housing. Ministry staff further acknowledge that the City's residential intensification analysis (included in the Residential Intensification Market Demand Report) has found that the City is unlikely to achieve the necessary level of apartment unit construction from a market demand perspective. As such, the *No Urban Boundary Expansion* scenario appears to conflict with the objective of the LNA methodology to "provide sufficient land to accommodate all market segments so as to avoid shortages" (pg. 6).

The *No Urban Boundary Expansion* scenario may cause a misalignment with forecasts in Schedule 3 of A Place to Grow as residents seek ground-related housing in municipalities where there may be sufficient supply. Schedule 3 forecasts, or higher forecasts established by municipalities, are to be the basis for planning and growth management to the Plan horizon. The City is required to demonstrate that it is planning to accommodate all forecasted growth to the horizon, including satisfying the direction in A Place to Grow to support housing choice through the provision of a range and mix of housing, as per policies 2.2.1.4 and 2.2.6.1. The LNA Methodology also prohibits planning for population or employment in a manner that would produce growth that is lower than Schedule 3 of A Place to Grow.

Further to the above, the Ministry has additional concerns regarding potential regional implications of the *No Urban Boundary Expansion* scenario, if adopted. The shortfall of

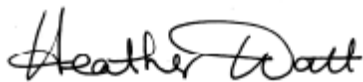
available land and ground-related units that could be created as a result of the *No Urban Boundary Expansion* scenario may cause forecasted growth to be redirected away from the City of Hamilton into other areas that are less suited to accommodate growth. This may have broader regional impacts on prime agricultural areas, natural systems and planning for infrastructure given the lower intensification and density targets applicable to outer ring municipalities that would likely receive pressure to accommodate forecasted growth. As noted in the technical update, the City of Hamilton is well suited to accommodate growth due to its urban structure, strategic location and multi-modal transportation connections.

Ministry staff also wish to acknowledge the strong growth management principles that underpin the City's *Ambitious Density* scenario. The *Ambitious Density* scenario appears to balance market-demand for different housing types while also implementing an intensification target (60 per cent) and a designated greenfield area density target (77 residents and jobs combined per hectare) which exceed the targets set out in policy 2.2.2.1 and 2.2.7.2 of A Place to Grow.

Based on Ministry staff review and analysis of the City's draft Land Needs Assessment and the technical update, it appears that the *No Urban Boundary Expansion* scenario poses a risk that the City would not conform with provincial requirements.

The Ministry looks forward to receiving the City's draft Official Plan as the July 1, 2022 conformity deadline approaches. In the meantime, please contact me by email at: (heather.watt@ontario.ca), or by phone at: 437-232-9474, should you have any further questions.

Best regards,



Heather Watt
Manager, Community Planning and Development, Central Region Municipal Services
Office
Ministry of Municipal Affairs and Housing

c. Ontario Growth Secretariat, MMAH