

October 15, 2021

# ACCOMMODATING GROWTH

The delicate balance between Greenfield and Infill Growth

## The New Home Building Industry is Essential to Economic Strength and Prosperity



**1,000 New Home Starts**



**+1,500 Jobs:** On-and off-site jobs – a major source of employment



**+ \$100 Million in Wages:** Dollars that show up in purchases across the entire Regina economy



**+ \$200 Million Invested:** Homeownership maintains and improves the largest single asset for most families

### The new housing market contributes to the economy in four main stages:

- **Planning and Land Development:** The purchasing and development of land requires a significant amount of lead time, money and insight from different specialists including the Community Developer, Civil Engineers, City Officials, Lawyers, Crown Utility Employees and Consultants.
- **New Home Marketing and Sales:** Marketing and sales teams are employed to guide new home buyers through the purchasing/building process. When the home is being purchased the home buyer works with an array of experts that include real estate agents, mortgage brokers, appraisers, and notaries among others.
- **Construction of the home:** Getting the home built touches a wide array of specialties. These jobs include construction workers, subcontractors, trade partners, architects or residential designers, City of Regina inspectors, etc.
- **Move in:** Upon closing, additional trades are tapped such as cleaning staff and movers are important during the immediate move. As new home buyers settle, they are more likely to spend money elsewhere in the economy. Local retail is a big beneficiary.

When you add it all up, you can see how a strong housing market is contributing to a virtuous cycle for growth in the wider economy and is one of our most important sectors today.

Estimates based on 2020 data from Statistics Canada, Canada Mortgage and Housing Corporation and Will Dunning Inc., Economic Research



- Maintains standard of living for citizens
- Provides additional choices to live, work and play
- Generates new jobs, new income, new tax revenue
- Stimulates greater opportunities for revitalization of our existing urban areas
- Allows people & business to share resources more efficiently due to economic scale
- Provides citizens more choices in transportation, employment, social diversity, education, arts, culture, recreation etc.

**Q: Where do we accommodate homes for newcomers, young people, families and changing demographics that come with growth, while not eroding home affordability and attainability?**

**A: OCP 30% Infill & 70% Greenfield and ensuring supply is slightly ahead of demand that aligns with market choice.**

## Where are we today?

DEMAND	AFFORDABILITY	SUPPLY
<p>Over 32,000 international newcomers have relocated to Regina since 2014.</p> <p>All forecasts anticipate international migration will continue to drive population growth in our region</p>	<p>Household Income Required to Purchase A Single Family Home</p> <p><b>Regina 4.8 times</b>            Calgary 4.6 times            Edmonton 4.4 times            Saskatoon 4.0 times</p> <p>Only 19% of YQR Citizens can qualify for a Single Family Home</p>	<p>Regina has 12 to 18 months inventory of land</p> <p>Healthy supply is 18 to 24 month inventory of land</p> <p>Canada &amp; U.S. lack of supply #1 reason for price escalation</p>

Homebuyers' preferences gravitate towards street-oriented housing units and maximizing the square footage they can afford. Due to affordability, Regina has seen a recent increase in popularity for row housing. Single family homes continue to be the most sought-after property.

## BIGGEST OBSTACLES TO INTENSIFICATION

INFILL HOMES COME AT A PREMIUM COST	CITY OF REGINA LACKS UNDERSTANDING MARKET PREFERENCES	LACK OF CERTAINTY REGARDING APPROVALS & AVAILABLE INFRASTRUCTURE
<p></p> <p>An addition cost of \$60K &amp; an additional 4 months in time is needed for the same home* in an established neighbourhood compared to a developing neighbourhood. Requires an additional \$15,471 in household income to qualify for a mortgage.</p> <p><small>* based on 1,300 sq ft</small></p>	<p></p> <p><b>Regina is Not A Closed Market.</b></p> <p>Does the City of Regina have any understanding of what type of housing and amenities are potential home buyers looking for in a built up area that would be appealing to attract them?</p>	<p></p> <ul style="list-style-type: none"> <li>• Infrastructure service to support re-development unknown</li> <li>• Rezoning risky</li> <li>• NIMBYism</li> <li>• Unclear what built-form City of Regina will to accept for redevelopment</li> </ul>

## GREENFIELD DEVELOPMENT



Greenfield development refers to development on land that has not been built on before, occurring on a cities' urban fringe.

- Efficient urban planning that provides practical, affordable, and sustainable living spaces for growing urban populations.
- The planning takes future growth and development into account as well as seeks to avoid the various infrastructure issues that plague existing urban areas.

## URBAN SPRAWL



Unrestricted growth in urban areas over larger expanses of land with little concern for urban planning.

- Little of no suburban planning
- Disorderly growth on the outside edge of the municipality, often in bedroom communities.
- Leapfrog patterns of development
- Undefined edge between urban and rural areas

**Regina has a long Urban Planning history and our newest neighbourhoods are amongst the most planned and mix density neighbourhoods in Regina. Therefore, Regina does not have Urban Sprawl!**



**Urban Containment Strategies decrease Land Supply, which creates Higher Land Values resulting in deterioration of Housing Affordability**

While there are many factors for escalating house prices, lack of supply has been proven time and time again to be the largest driver of price escalation. It also drives people to live in less bedroom communities, which is less sustainable.

## RECOMMENDATIONS

- Market-based approach to City Planning that encourages the benefits of higher density communities
- Also recognize our advantage to provide a wide variety of housing options
- Provide certainty for development and investment

### This includes:

- **Ensuring there is an ample supply of serviced lots** in greenfield development through timely approvals of new neighbourhoods as laid out in the OCP Growth Plan.
- **Take a market based approach to attract investment for intensification** of the existing city footprint by:
  - **Pre-Zoning:** Clarity on what the City is willing to accept;
  - **Pre-Determine Density:** Clarity on what the City is willing to accept;
  - **Pre-Determine Built-Form:** This might be as simple as determining building heights; and
  - **Pre-Servicing Identification:** Identifying what requirements in advance to achieve priorities 1, 2 & 3 listed above.
- **Greenfield growth does not mean urban sprawl.** Regina does not have an urban sprawl issue. Regina's newest neighbourhoods are more dense and sustainable than any neighbourhood built prior. Regina has a long history of its peripheral growth that has been efficient urban planning that aims to provide practical, affordable, and sustainable living spaces for growing urban populations. The planning has taken future growth and development into account as well as seeks to avoid the various infrastructure issues that challenge the existing urban areas.

**Regina has this amazing ability to grow up and grow out at the same time.  
Lets take advantage of this strength now!**



## Abstract

In Canada's urban framework, media coverage of City level action tends to gravitate towards Canada's biggest cities like the Greater Toronto Area and Metro Vancouver. However, a significant amount of the growth, innovation and development that is driving our future is occurring in our small and medium-sized cities. Our small and medium-sized cities have a great deal to share with the world about the future of city building, energy, mobility, smart technology, and sustainability. Regina has an important role to play in this space.

There is a new magnetism across North America of small and mid-size cities. Millennials, international immigrants, and older cohorts are making smaller and mid-size cities their first choice. They are increasingly seen as not just places to find a lower cost of living, easier commute, and closer connections with family, but also a more approachable, neighbourhood-oriented version of the urban lifestyle that sent many to the larger cities in the first place. The opportunities for Regina to leverage this shift is immense, but it will require a strong mandate to grow in a sustainable manner while providing a range of housing options to meet our full potential.

This paper focuses on how Regina has been accommodating growth since the current Official Community Plan was adopted in 2013. It looks specifically at characteristics of the Regina housing market, identifies the challenges associated with infill housing development, notes where the City is deficient in understanding the market, and identifies ways to ensure positive and balanced growth can occur to attract residents to the community to continue economic growth.

## **Summary**

The discussion of growth at the municipal level typically focuses on the challenges or negative impacts (increase in traffic, cost of providing services, etc.). It is critically important, however, that this discussion also focuses on the benefits of growth, because the alternative (stagnation or decline), would move Regina further away from its competitors and result in businesses closing and residents having to move to find prosperity.

Economic and population growth benefits our community and citizens by:

- Maintaining our standard of living;
- Providing more choices for citizens to live and work.
- More choices in transportation, employment, social diversity, education, arts, culture, recreation etc.; and
- Creating additional opportunities for investment in revitalizing existing urban areas.

From a physical growth and housing market perspective, successful cities have managed to find a balance in growing their cities up and outward in a sustainable manner. Balance is required to appeal to all residents, through ensuring all new developments are built with the long-term in mind. Also, the private sector, which is primarily responsible for the actual building of the city, must view the community as competitive and attractive – an easy place to conduct business. Capital is more footloose than ever so competitiveness is key to economic development.

Data suggests that Regina will continue to grow, largely due to international migration. Yet, of recent concern is a return to negative interprovincial migration, meaning more people leave Regina for other Provinces than we attract. Regina needs to explore how to retain more of these individuals.

## **Regina's Housing Market**

Similar to many western Canadian cities, Regina is comprised largely of single detached homes at approximately 67% of all dwellings (CMA). When viewed nationwide, Regina is one of the more affordable housing markets. Viewed regionally, however, this is not the case. The required household income (4.8x) to purchase a single-detached home is greater than Calgary (4.6x), Edmonton (4.4x), and Saskatoon (4.0x). Constraining the housing market through growth control measures would exacerbate this and put Regina further behind the nearby competitive markets by increasing housing prices and hurting affordability.

Housing and serviced land inventory has declined over the past two years from a slightly over supplied market to a market with arguably low inventories. In fact, today, the city has approximately a 12 -18 month inventory of land and houses, whereas a healthy supply is in the 18-24 month range. Variation exists within housing types, as apartment condominiums remain as the one category with continued high inventory and rental vacancy rates at 7.5% are still outside of the healthy level of 3%. In other categories, however, sales are outpacing new construction and we are starting to experience housing shortages and longer construction times. As noted above, lack of supply may lead to increasing costs as this is the key driver behind price escalation.

In terms of housing preferences, the strong preference of most buyers in western Canada is a single detached house at 70% of all buyers. This preference has heightened through Covid as people's desire for space has grown. Desire is not always aligned with ability, as only approximately 20% of households are able to purchase a single-detached house based on their incomes alone. As such, it is important to provide a range of housing types through all the neighbourhoods.

### ***Intensification and Infill***

It is true that infill and intensification of the built area of the city optimizes existing services when those services have capacity to accommodate the intensification. The OCP has established a target that 30% of the population be accommodated within the existing neighbourhoods, but the City has fallen short of this target over the past few years. It is critically important to truly understand the obstacles to intensification and not apply a kneejerk reaction to restrict other forms of growth.

The two key demonstrable obstacles to intensification include: infill housing comes at a premium cost, including a recent development levy which exacerbates the premium, and most important is the lack of certainty regarding approvals and available infrastructure, which deters builders from considering infill sites.

A glaring deficiency in the City's work on intensification is its lack of understanding of market preferences. It is important to remember that Regina is not operating in a closed market environment. Specifically, this means that if the city restricted greenfield growth, it would not necessarily mean that residents who prefer single detached houses with a yard would move to the inner city, rather it would most likely drive them to the surrounding bedroom communities with cheaper available land. This would exacerbate sustainability issues for the

Regina Region as a whole. The decision to choose to live in the inner city needs to become easier.

As noted within the paper, to address the intensification issue the city needs to undertake the following:

- A. Obtain a better understanding of what would attract residents to live in the built area of the city. In other words, what type of housing do they desire, what neighbourhood characteristics are draws or deterrents, and what area amenities are required to attract them.
- B. Attract investment from the private sector by reducing uncertainty. This could include undertaking zoning and determination of density/dwelling types on parcels of land before sale to builders or at having the City lead the process versus waiting for the private sector to drive the process. Also, providing certainty on infrastructure requirements on land before builders commence.

### ***The Importance of Market Preference Research***

City Planning is often thought of as being about buildings, streets, and parks, but in fact it is about people. Planning should aim to create great spaces for people to live, gather, play, and conduct business. It is a balancing act in that it must both accommodate and influence behaviour. This is an area that the City of Regina sorely lacks in data or understanding. What seems lost in the discussion is what people, our residents, actually want. Some resident preferences can be gleaned by sales and usage data/trends. For instance, related to housing forms, the City seems to advocate for high density apartment infill, despite apartments having the highest inventory and vacancy rate of any housing form.

Another area the City needs a better understanding of market preferences and perceptions relates to neighbourhoods. Colouring a land use map within a policy document is not a strategy to inspire people to move to the inner city. The City needs to understand what residents want in terms of housing forms and neighbourhoods, and work on real strategies to overcome obstacles, so that the built neighbourhoods can attract new residents, versus looking for ways to force residents through excessively limiting choices. Some neighbourhoods need more work than others, so this work needs to be focused.

## **Conclusion**

Economic prosperity of a city relies heavily upon being attractive to industry and to residents, existing and future. Part of a city's appeal is through providing a range of opportunities for people to live and partake in activities within the community. Presently, the OCP has provided guidance on how and where the City is supposed to grow. This growth pattern is being accomplished on the City's edges in sustainable new neighborhoods and with lesser success within the built area of the city. To make intensification more appealing, proper understanding of the obstacles and market preferences is necessary, followed by strategies to make infill development more predictable to the private sector and more appealing to residents.

Regina has this amazing ability to grow up and grow out at the same time. Let's take advantage of this strength now.

## **Background**

### **Some growth is always inevitable?**

It is not uncommon that segments of municipal government and public develop a view that further growth of the community is solely a cost to the municipality and neither desirable nor inevitable. However, for many municipalities, including Regina, some level of growth is simply going to occur as population in Canada and the Province of Saskatchewan is projected to rise steadily over the next 25 years. Newcomers to Canada will create roots somewhere.

### **Why is growth important, and what are its benefits?**

Growth in the Greater Regina Area generates jobs, income and tax revenue and offers new and existing citizens more choices and diversity.

At a minimum, growth in the short term:

- Maintains the current standard of living;
- Accommodates the steadily growing population that results from annual birth rates and immigration that outpace the number of deaths and out-migration;
- Provides additional choices of where to live and work;
- Generates new jobs, new income, new tax revenue; and

- Stimulates greater opportunities for revitalization of our existing urban areas.

In the long term:

- Allows people and businesses to share resources more efficiently through greater economies of scale and geographical clustering; and
- Provides citizens with more choices in transportation, employment, social diversity, education, arts, culture, recreation etc.

While the benefits of growth apply to a region, the costs of growth are often carried by individual citizens, in most cases newcomers. It is a nationwide epidemic that has created a social environment where neighbourhoods seek to reject growth in their neighbourhood, while enjoying the larger benefits growth plays in the city, yet not having to bear its costs. The risk in our community, if neighbourhoods reject growth at the same time urban containment strategies are embraced, growth is then pushed out to the bedroom communities. The outcome is no growth or marginal growth for the City of Regina and many of the benefits of growth are lost, while many of the costs are still realized.

### **Not growing is not staying the same**

Places that do not grow become smaller and, often less vibrant. People leave, business moves, or close, local structures and infrastructure depreciate and eventually must be replaced. Without growth, stagnation occurs and ultimately a place shrinks in scale.

If city leaders are not keen on growth, staying small is not hard to do. Markets notice when local government have policies, even subtle policies, that deter growth. A no growth reputation can quickly be born. As industries, businesses and developers will often take the path of least resistance, they quickly move on to greener and more growth orientated pastures. Nothing will kill future growth opportunities more completely than a well-known city-wide no growth attitude.

### **Smarter Growth does not mean Zero Growth**

The inherent principle of smarter growth is planning for the growth that will occur in a manner that maximizes the benefits derived from growth while minimizing its costs.

Our prevailing assumption at the RRHBA is that individuals and our community intuitively understand the value of growth. However, local resistance to growth

i.e not-in-my backyard (NIMBYism) continue. Over time, a small number of vocal citizens can perpetuate the idea that growth is not desirable. However, one only needs to close their eyes and remember our City 20 years ago, then open your eyes and see the immense progress we have made. The benefits our City has experienced has much outweighed the challenges and costs.

### **True Urban Sprawl occurs outside of the where the City does not control**

The term sprawl, as much jargon does, has to some degree lost its meaning. Often people use the term synonymously with greenfield development and in most cases, it is used in a pejorative sense. Nobody advocates for urban sprawl, just like nobody would oppose smart growth. The problem with this reference is that the definition of urban sprawl has become bastardized to the extent that it has lost its original meaning. The traditional definition used by planners when the term was coined decades ago referred to suburban development that is haphazard, disorganized, on-contiguous (leapfrog in nature), and/or largely unplanned, at very low residential densities with limited non-residential uses.

Greenfield neighbourhoods of today, per the OCP, are at higher densities and are more complete than neighbourhoods developed over the past 50 years. Evidence of this is the fact that the most used transit route in Regina is within the Harbour Landing neighbourhood.

Simply put, we should be viewing Greenfield growth as development on land that has not been built on before, occurring on a cities' urban fringe and guided by sustainable policies within the OCP. Today's Greenfield development is about efficient urban planning that aims to provide practical, affordable, complete, and sustainable living spaces for growing urban populations. The planning takes future growth and development into account as well as seeks to avoid the various infrastructure issues that plague existing urban areas. Urban sprawl, on the other hand, is the largely unrestricted growth in and around urban areas with little concern for urban planning. The OCP policies are such that sprawl cannot occur within the identified growth areas.

What is clear in the data, if the municipality does not accept a significant amount of Greenfield growth (i.e. 70% as outlined in the OCP) to accommodate consumer needs and wants, then that growth will occur outside Regina, out of the City's control, with a less sustainable resulting development form.

## **Building Things is a Risky Endeavour**

There are countless things that can go wrong when investing in City Building. For the development industry that takes direction from the City of Regina's Official Community Plan (OCP) and the numerous policies underneath, there is approvals risk, political risk, market risk, construction risk, design risk, and many other kinds of risk. Some will be entirely unforeseen. As an example, the worldwide pandemic would not have been all that high on the list just two years ago.

One way to think about the process of building and developing is that it is an exercise in risk mitigation. This can lead to a natural tendency by the municipality, citizens and the industry to want to repeat what worked the last time around. Change adds more risk into the system and why the City Administration and the Development industry spends so much time analyzing and managing risk.

This is important for public policy decision makers to understand that volatile policy and regulations erodes certainty for projects which raises risk. Investment in city building by the private sector will not occur until the risk premium (price) is high enough to overcompensate for that risk.

The key to attracting investment that aligns with public policy decision makers while protecting affordability is creating an environment of predictability and certainty. This prepares investment to align with municipal objectives to ensure demand and supply are well balanced (*see Appendix "C" - Pan-Canadian view on Housing Supply*).

## **Urban Containment Strategies**

There is a strong correlation between urban containment policies and the deterioration of housing affordability in major housing markets. Whether titled growth management strategies, compact city policy or smart growth policy, they contain practices that increase in the cost of land and housing by rationing supply and/or prohibiting development on the peripheral of the city footprint.

Urban containment is associated with higher land values throughout urban areas, a consequence of preventing normal operation of price competition for land on the urban fringe. By elevating the price of residential land throughout a housing market, urban containment may be the most destructive to housing affordability of any land use regulations.

Once initial urban containment takes hold, the rising pent-up demand is likely to lead to even greater housing affordability deterioration unless the competitive market for land is restored (See Appendix “E” - Housing Affordability).

A competitive market for land on the urban fringe retains housing affordability and a lower cost of living that benefits middle income households by having a greater discretionary income. It also benefits lower-income households by making market rate housing more affordable.

Lower income households are the most vulnerable and hard hit by urban containment policies. Erosion of housing affordability for lower income households take away the significantly limited amount of discretionary income they may have and increases dependency on government support that is seldom timely or effectively in place.

## What Is the Data Telling Us?

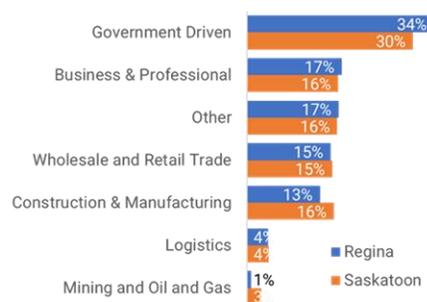
### Economic & Employment Growth

Saskatchewan is primarily a resource economy, driven by commodity exports derived from agriculture mining, oil and gas. As Saskatchewan’s capital city, Regina's growth is directly linked to exports. The City’s GDP, adjusted for inflation, declined 0.3% between 2015 and 2019.

The economic impact of the commodity industries is in much greater magnitude than that of the public sector. Economic gains in stable sectors of the economy were not able to make up for the losses in the resource economy.

Despite slow economic growth, Regina was a leader in job creation in Canada. Stable industries, such as a growing public sector (*government, health care & education*) as well as the business & professional sector (*finance & real estate*) appeared to have a buoyant effect on Regina economy.

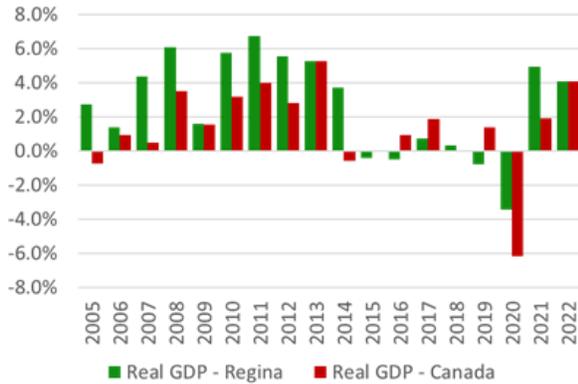
**Economy - 2020 Employment Share**



Source: Statistics Canada & The Conference Board of Canada

With that, both economic growth and job growth for Regina is forecasted to surpass the national average in 2021 and in 2022.

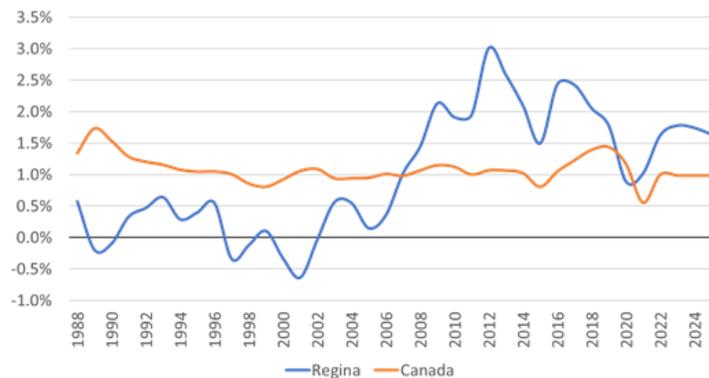
### Economic Growth



### Job Growth



### Population Growth

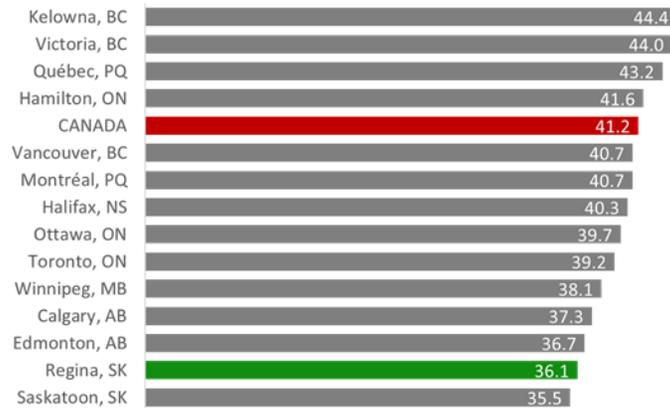


Source: Statistics Canada & The Conference Board of Canada

Regina has experienced solid population growth driven by international migration. Since 2014, over 32,000 international migrants have relocated to Regina, attracted by the region's strong sense of community and open attitude towards newcomers. Although COVID-19 slowed-down migration to Saskatchewan's capital city, it is anticipated international newcomers will continue to drive population growth in the region.

With a median age of 36.1 years, Regina boasts the second lowest median age among most major metropolitan cities in Canada. This bodes well for future economic growth and future housing demand in the Regina CMA.

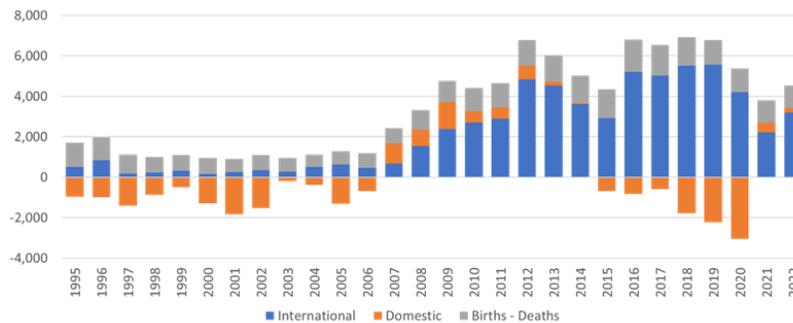
### Median Age – 2020



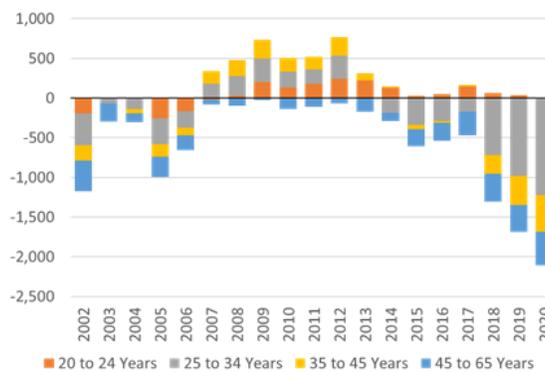
Source: Environics Analytics

While Regina is successful at integrating newcomers and is forecasted to continue to do so (see Appendix "A" - Sources of Population Growth), Regina does need to continue to improve our efforts to retain its population, particularly those in their labour productive years. Between 2014 and 2019 over 9,000 Regina residents migrated to other cities in Canada in search of new opportunities.

### Sources of Population Growth



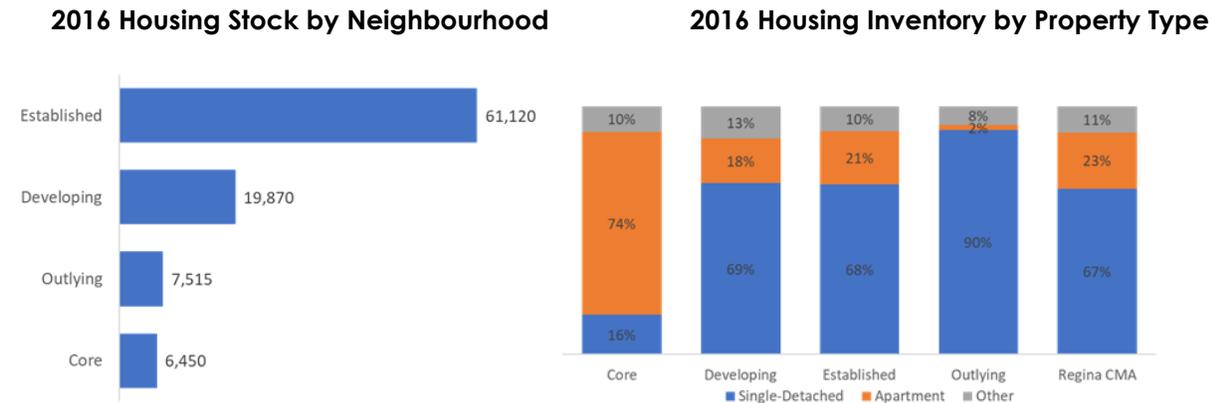
### Domestic Migration



Source: Statistics Canada & The Conference Board of Canada

## Regina Housing Market

The Greater Regina Area has approximately 95,000 homes made up of 61,120 homes in established areas and another 6,450 in core neighbourhoods. 19,870 homes are in developing neighbourhoods, while 7,515 are in outlying bedroom communities in the Regina CMA.

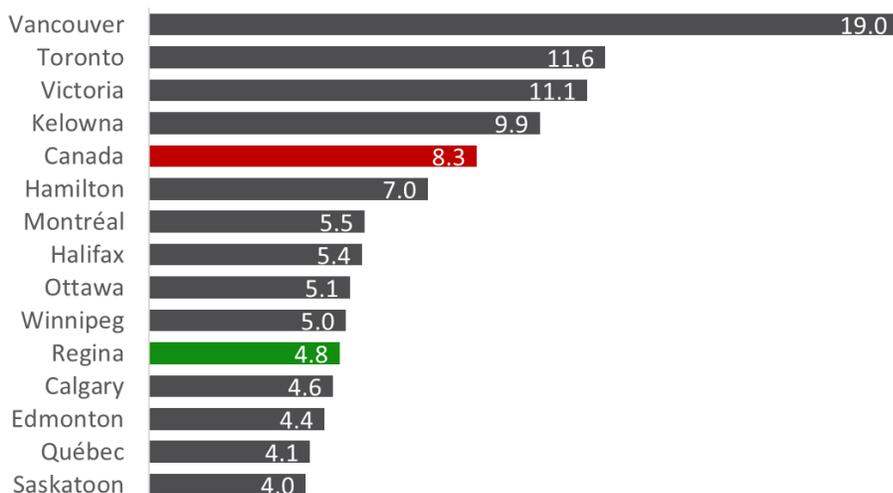


Source: RRHBA Calculation with data from Statistics Canada

A review of the Saskatchewan Realtors Association's data for 2020 revealed that 79% of resale transactions were for single detached homes, 13% for attached homes (*i.e. duplex, town homes etc.*) and 8% were for apartment units.

While Canada's largest cities are in the midst of a housing crisis, with prices skyrocketing to unprecedented highs, well out of reach for the vast majority of the population. Regina remains one of the most affordable housing markets in the country, where the dream of homeownership is well within reach.

### Total Household Income Required to Purchase the Average Single-Family Home



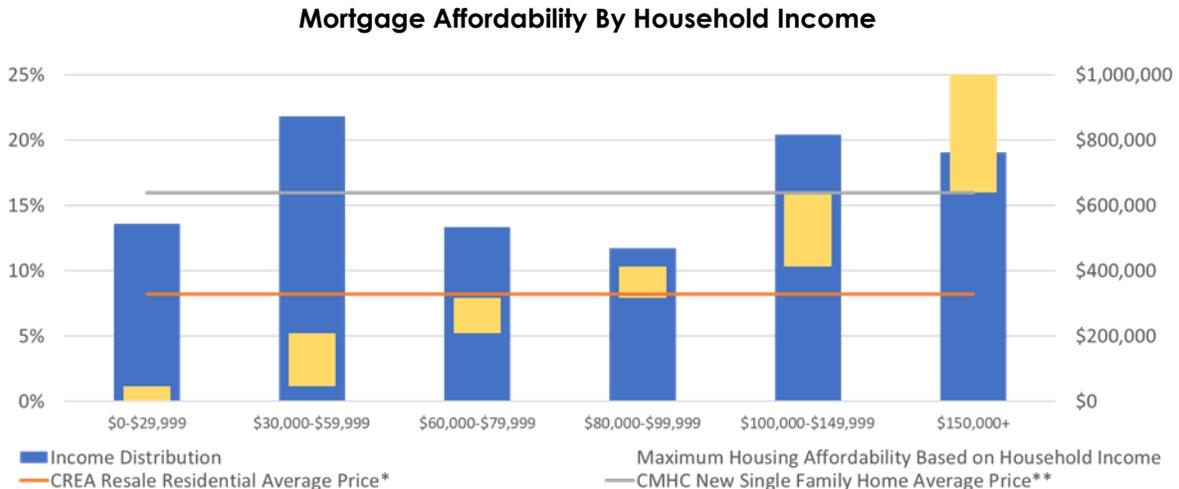
#### Regina Advantage

The average Canadian Home Buyer needs 8.3X household income to purchase a Single Detached Home.

Regina Home Buyers requires 42% less household income than national average. Note across the prairie region we are very similar.

Source: RRHBA calculation with data from Canada Mortgage & Housing Corporation - 2020

There are notable differences in affordability among Regina's household income groups and among the different property types. Only 19% of the population in Regina qualifies for a mortgage to purchase a new single-family home based purely on their income.



Source: Authors own calculation with data from Canada Mortgage & Housing Corporation, Statistics Canada and the Saskatchewan Realtors Association. The affordability calculation throughout the document assumes a 10% down payment, heating costs of \$150/month and \$350/month in other debts

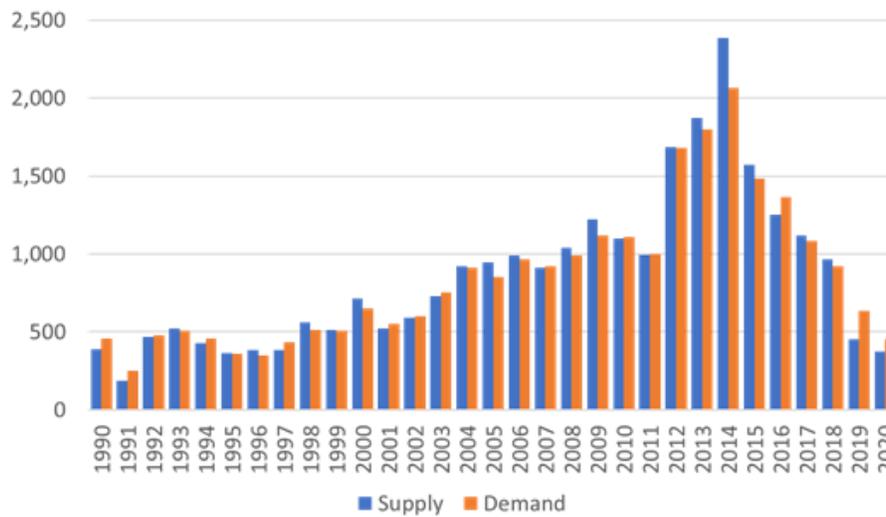
Interest rates are near historical lows which has fueled some of the recent home buying frenzy. However, interest rates are likely to increase in over the medium term. Although rates will continue to be near the bottom for historical standards, but slight increases will add to further affordability constraints for Regina households (See Appendix "G" – Interest Rates).

### New Housing Market

Demand & Supply – Following a period of strong economic growth in the early 2010s, builders in Regina ramped up supply to accommodate the future expected growth in the region. Residential demand failed to materialize due to declined price for key commodity prices in the region, which remained lower than expected for most of the second half of the last decade.

Housing supply takes time to react to changes in demand. Builders were caught off guard by a slower demand, which created a temporary but painful imbalance between supply and demand between 2014-2016. Builders adjusted to a new reality by lowering the number of new homes (excluding rental) under construction in the market between 2014-2020.

## Housing Demand vs Supply (Excluding Rental Market)



Source: Canada Mortgage & Housing Corporation

The imbalance between supply and demand pushed the inventory of unabsorbed but completed housing units to a historical high in 2015. The number of unsold units remained relatively high between 2015 and 2019.

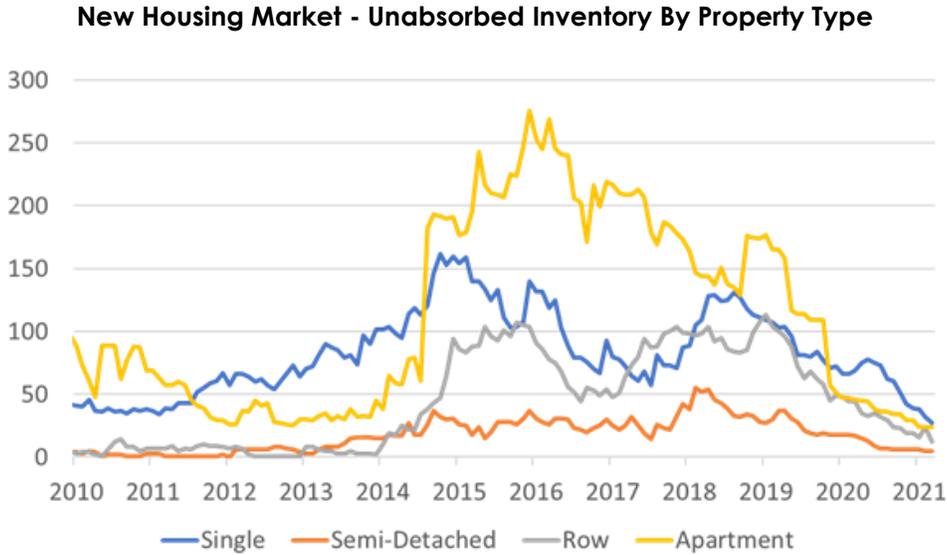
Apartment buildings represented the vast majority of the unabsorbed new housing units in the market, both in absolute and relative terms. While there was an increase in single family home inventories, proportionately, the stock of homes was not as relevant compared to that of apartment units.

As builders constrained supply, the market has absorbed most of the available inventory. **Regina is rapidly swinging from a market with excess supply to a market with low inventory.**

## New Housing Market - Unabsorbed Inventory



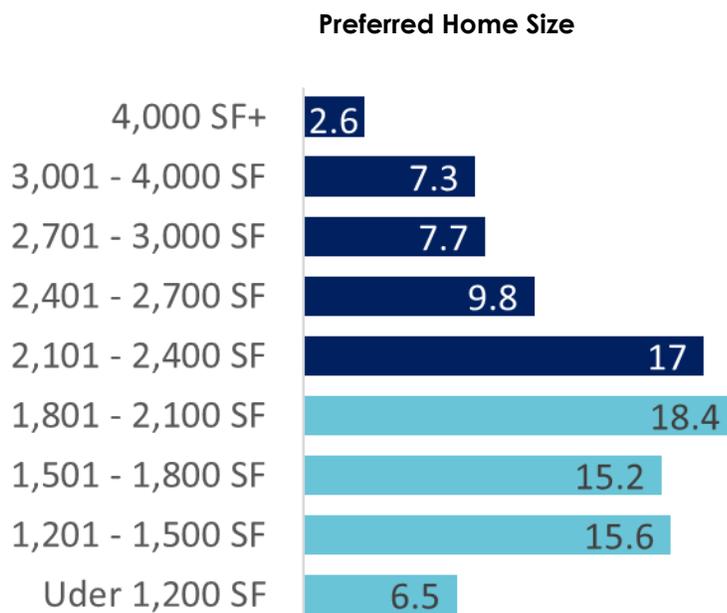
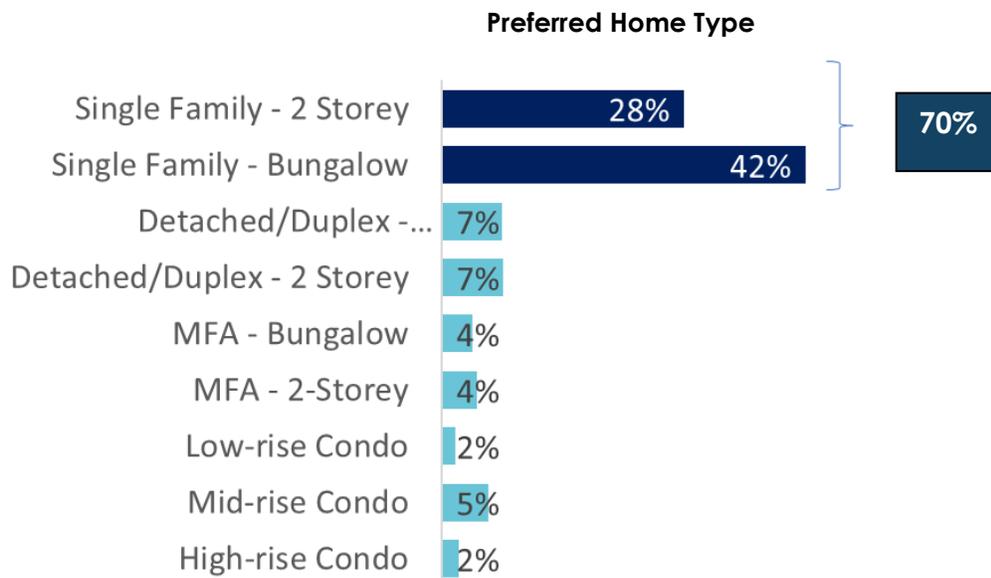
The proportionate share of apartment building supply increased dramatically in the region between 2014 and 2020. However, it is important to note that a large portion of the supply was destined for the rental market.



Source: Canada Mortgage & Housing Corporation

### Homebuyer Preference

Homebuyers' preferences tend to gravitate towards street-oriented housing units and maximizing the square footage they can afford. Given the price point, there has been a recent increase in popularity for row housing in Regina. However, single family homes continue to be the most sought-after property type.



Source: CHBA Home Buyer Preference Survey 2020

The preference for larger space is consistent with other finding in the North American market. As an example, the NAR 2020 Community & Transportation Survey revealed that people highly value “walkability” in their neighbourhood, however, there is a 50/50 split when asked about trade-offs of amenities and walkability compared to increased living space (See Appendix “B” - NAR 2020 Community & Transportation Survey.)

## Strain on Supply

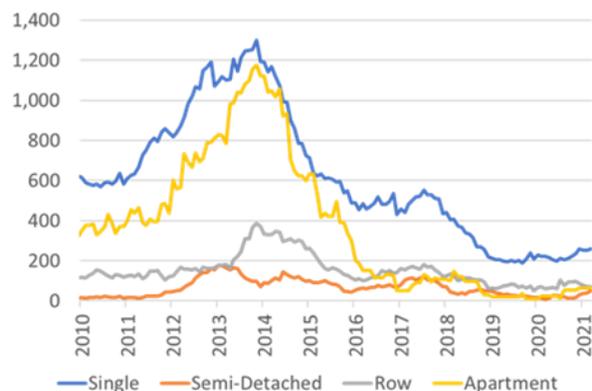
Although increasing, the number of housing units currently under construction is well below the 10-year average. The months of supply (*number of homes sold during the period vs number of homes available for sale*) for the 5- and 10-year average demand is now well below the replacement period (*time it takes to build a home*). The Regina market is starting to experience housing shortages driven by a strong spring market in 2021 and a lack of available inventory.

## New Housing Market - Supply Under Construction

Overall Supply Under Construction by Property Type



Homeownership Supply Under Construction by Property Type



Source: Canada Mortgage & Housing Corporation

While there are many factors for escalating house prices, lack of supply has been proven time and time again to be the largest driver of price escalation. While the federal government has taken many steps to cool the market with demand-side measures, such actions have only created pent-up demand and limited supply. When conditions change and demand outstrips supply, like is being experienced in many Canadian city's right now, this causes prices to rapidly increase.

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**“Scotia Bank: Canada’s housing market is the most undersupplied in the G7”**

**“New CMHC CEO says best way to combat soaring home prices is building new housing”**

(See Appendix “E” Pan-Canadian View on Housing Supply: sampling of 2021 headlines)

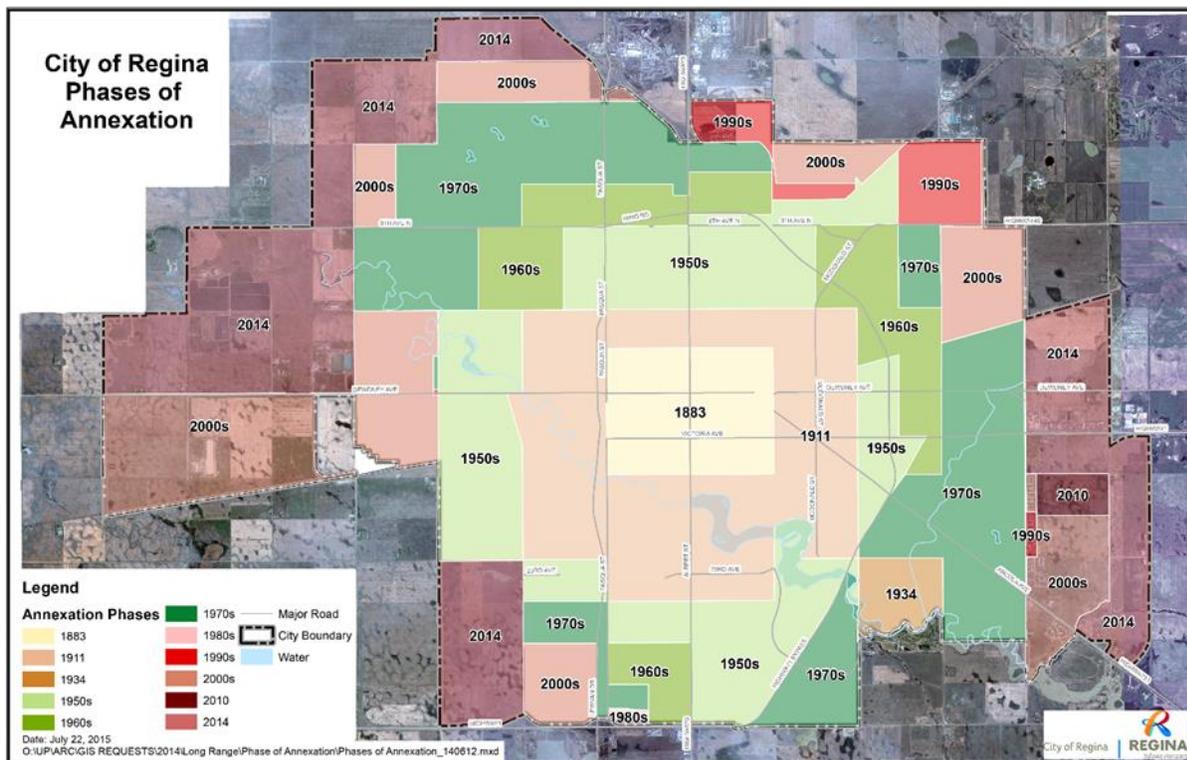
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Regina's increases in housing prices have been marginal in the past year compared to many other Canadian cities, as there was an oversupply in the

market in the past few years. That supply has been drastically reduced in 2020 and the first half part of 2021. Regina's current housing supply is very similar to where it was in 2010 when Regina was in the midst of a housing crises due to a shortage of supply. What is different, demand is lower in 2021 than it was from 2010 to 2014. If strong demand returned a new housing crisis would return relatively quickly.

### Housing by Neighbourhood

Regina's housing market has followed a methodical expansion process. This is evident by the orderly annexation history along side with the limited land availability in established neighbourhoods.



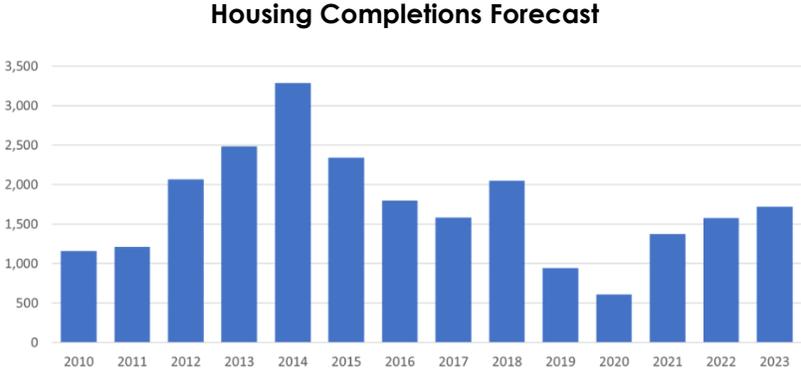
Source: City of Regina

Regina has 61,120 homes in established areas and another 6,450 in core neighbourhoods. 19,870 homes are in developing neighbourhoods, while 7,515 are in outlying bedroom communities in the Regina CMA. Over 72% of the new housing supply for the Greater Regina area has been in developing neighbourhoods. (See previous table under Regina Housing Market – Housing Stock 2016 & New Supply by Neighbourhood)

In 2016, the number of new but unsold homes hit a historical high, driven by an oversupply, particularly in developing neighbourhoods. However, the ratio of unsold homes relative to the total housing stock has dramatically declined ever since dipping below 0.50% for all neighbourhoods in the second half of 2020. This is signaling a change from a balanced housing market to an under supplied one.

Using both the 10-year average demand and the 5-year average demand, developing neighbourhoods are experiencing a shortage of inventory well below replacement rate. This will likely push home buyers to different alternatives such as outlying communities.

Housing Completion forecast by CMHC suggests a need for approximately 5,000 new housing units for Regina CMA in the next three years.



Source: Canada Mortgage & Housing Corporation & The Conference Board of Canada

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**The shortage in new housing inventory available for sale is likely to get exacerbated given the constrained land availability.**

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**End of Year – Remaining Serviced Lot Inventory** (Single Family & Multi Unit)

	2018	2019	2020	<b>2021</b>
Coopertown	0	0	0	<b>0</b>
Eastbrook	469	413	327	<b>292</b>
Fairways West	0	0	0	<b>0</b>
Fariways West/WestHil	35	30	12	<b>0</b>
Hawkstone	88	71	67	<b>0</b>
Harbour Landing	369	301	150	<b>79</b>
Harbour Lanidng West	0	0	0	<b>0</b>
Kensington Greens	93	88	86	<b>61</b>
Maple Ridge	71	57	49	<b>39</b>
Rosewood	0	145	145	<b>112</b>
The Creeks	129	144	166	<b>113</b>
The Greens	162	211	196	<b>163</b>
The Town	229	209	166	<b>113</b>
Westerra	203	171	147	<b>267</b>
Total	1848	1840	1475	<b>1252</b>

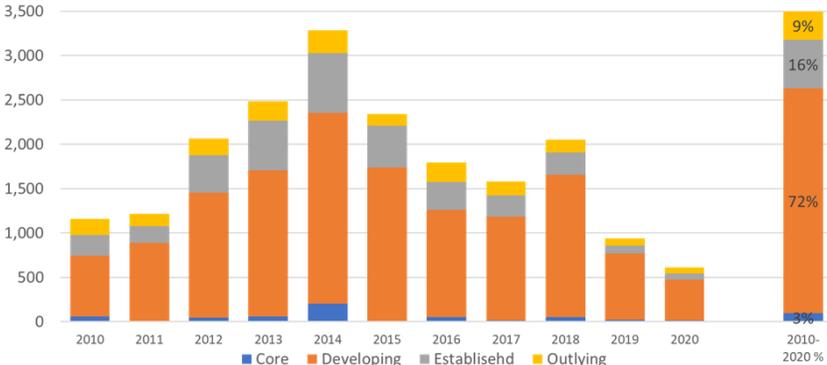
Source: RRHBA Survey of Community Developers and Builder Unsold Inventory

In a recent on-line search for vacant lots on [www.realtors.ca](http://www.realtors.ca) for Regina found less than 60 vacant lots available for development. At the same time, the City of Regina Underutilized Land Study (ULS) from September 2018 identifies 585 vacant lots, 130 surface parking lots and 37 vacant buildings. The majority of the lots identified in the ULS are not available to the market at present. The ULS concludes there is 112 hectares of total potential infill available for combined commercial and residential development. If one assumes the Underutilized Land Strategy was finalized and executable and at the same time the market was completely accepting to build and live in the lands identified, there is approximately 2 years of infill land available. The City of Regina is most likely a decade or more away from completing policies and attracting the necessary investment to deliver on the OCP goal of 30% growth in the existing city footprint. This assumption does not take into consideration the time, which will be in years, to construct.

**If all new servicing of new Greenfield lots stopped immediately, the City of Regina would be out of serviced lots within 14 to 18 months.**

While most of the population in the Regina CMA live in the City of Regina, particularly within established neighbourhoods., most of the future population growth is expected to be in the developing neighborhoods or outlying communities. However, public policy could influence this growth and push a significant amount of this growth into the outlying communities outside the City of Regina’s jurisdiction.

**New Supply By Neighbourhood**



Source: RRHBA Calculation with data from Canada Mortgage & Housing Coprotation

**Intensification and Infill**

It is clear that there is dissatisfaction at the Council level with the amount of infill and intensification achieved by comparison to what is outlined in the OCP. There is no question that the City of Regina is significantly underperforming both commercially and residentially.

To some, one possible solution to encouraging more infill development is through restricting greenfield growth through urban containment strategies. The significant benefits of intensification and infill development are real, however restricting Greenfield growth to force citizens to live in certain places in the future does not address the real obstacles to infill development. In a Regina context, urban containment will not result in any meaningful increase in



intensification within the existing City footprint, because Regina is not in a closed environment and people will still have the choice to live in the form and location of housing just outside of City limits in one of the numerous bedroom communities, opposed to choosing the inner city.

If the City of Regina is to going have a significant impact on increasing intensification and achieving the OCP (*30% of growth inside the existing City limits*) it needs to first understand the obstacles to intensification, some of which are highlighted below.

### **Infill Housing Units Come At A Premium Cost**

Housing is more expensive to build in the existing City foot print and requires a higher upfront investment compared to greenfield construction or in the communities that are just outside the city limits.

The importance of land supply, a key input of housing supply, particularly in infill developments tends to be overlooked. Land in established neighbourhoods is scarce and traditionally more expensive. Empty lot accumulation could represent a challenge as parcels are small and typically have different owners.

Land prices and construction costs are a major challenge to deliver affordable infill housing, even for high-density developments. Development near transit nodes or trending areas spur more density but higher land costs tend to price out all but the more affluent. This is in part why high-density projects often cater to a specific demographic segment, professionals or retired professional without children who can pay premium prices. There are a multiple of barriers of entry that can discourage builders, particularly those without redevelopment experience.

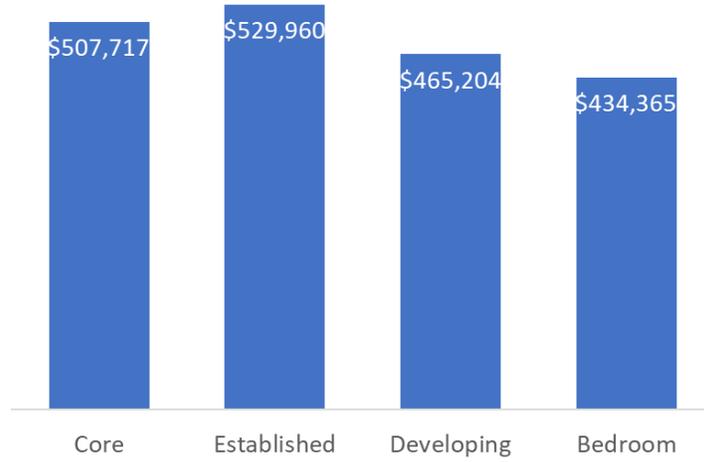
Purchasing an existing home and demolishing implies an additional cost and there is risk of contamination that may require special cleanup. Builders are also often responsible for upgrading utilities and City infrastructure, which do not exist in new development.

Infill construction is also faced with longer regulatory processes, which are more costly and have substantially more uncertainty especially if a zoning approval is required.

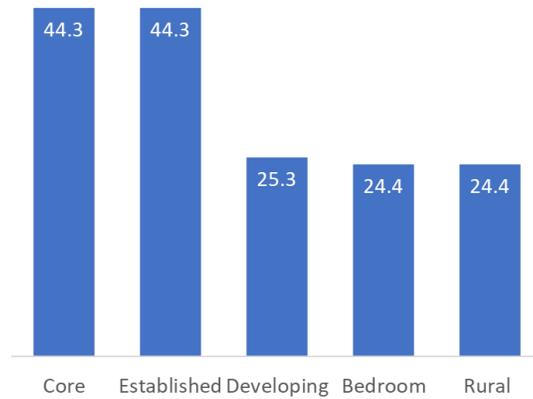
There are few economies of scale in infill construction as each project is unique. Higher costs of development, ultimately imply higher prices for future homeowners.

The below graphs capture the extra cost and time to build by neighbourhood type.

### Dollar Cost To Build A 1,300 Sq Ft Home by Neighbourhood



### Time in Weeks To Build A 1,300 Sq Ft Home By Neighbourhood



Source: RRHBA Review of data provided by RRHBA Builder Members, Trade Partners and Subtrades

## Builder Cost to Develop two 1,300 Sq Ft Home By Neighbourhood

### 2 Infill Homes In Core Neighbourhood

Week	Activity	Cost	Interest
0	Lot Purchase	\$207,554	
1	Taxes	\$7,162	\$124
2			\$144
3			\$144
4			\$144
5			\$144
6			\$144
7			\$144
8			\$144
9			\$144
10			\$144
11			\$144
12			\$144
13			\$144
14			\$144
15			\$144
16			\$144
17			\$144
18	Permits	\$19,268	\$155
19			\$190
20			\$190
21	Servicing	\$60,000	\$190
22			\$190
23			\$198
24			\$198
25			\$198
26			\$217
27			\$236
28			\$256
29			\$275
30			\$294
31			\$313
32			\$332
33			\$351
34			\$370
35			\$389
36			\$408
37			\$427
38			\$446
39			\$465
40			\$484
41			\$503
42			\$522
43			\$541
44			\$560
45			\$579
Subtotal Total		\$1,003,534	\$11,900
Total			\$1,015,434

**Total \$1,015,434**

### 2 Infill Homes in Established Neighbourhood

Week	Activity	Cost	Interest
0	Lot Purchase	\$249,705	
1	Taxes	\$8,372	\$149
2			\$168
3			\$169
4			\$169
5			\$169
6			\$169
7			\$169
8			\$169
9			\$169
10			\$169
11			\$169
12			\$169
13			\$169
14			\$169
15			\$169
16			\$169
17			\$169
18	Permits	\$19,268	\$180
19			\$215
20			\$215
21	Servicing	\$60,000	\$215
22			\$215
23			\$223
24			\$223
25			\$223
26			\$242
27			\$261
28			\$281
29			\$300
30			\$319
31			\$338
32			\$357
33			\$376
34			\$395
35			\$414
36			\$433
37			\$452
38			\$471
39			\$490
40			\$509
41			\$528
42			\$547
43			\$566
44			\$585
45			\$604
Subtotal Total		\$1,046,895	\$13,025
Total			\$1,059,920

**Total \$1,059,920**

### 2 Homes in Developing Neighbourhood

Week	Activity	Cost	Interest
0	Lot Purchase (15% deposit)	\$45,600	
1	Taxes	\$3,342	\$28
2			\$36
3			\$36
4			\$36
5			\$36
6			\$37
7			\$55
8			\$72
9			\$90
10			\$107
11			\$124
12			\$142
13			\$159
14			\$176
15			\$194
16			\$211
17			\$228
18			\$246
19			\$263
20			\$281
21			\$298
22			\$315
23			\$333
24			\$350
25			\$367
26			\$385
27			\$534
Subtotal Total		\$258,400	\$5,139
Total		\$930,409	\$465,204

**Total \$930,204**

### 2 Homes in Bedroom Neighbourhood

Week	Activity	Cost	Interest
0	Lot Purchase (15% deposit)	\$36,570	
1	Taxes	\$ 528	\$21
2			\$29
3			\$29
4			\$29
5			\$29
6			\$31
7			\$48
8			\$66
9			\$83
10			\$100
11			\$118
12			\$136
13			\$152
14			\$170
15			\$187
16			\$205
17			\$222
18			\$239
19			\$257
20			\$274
21			\$291
22			\$309
23			\$326
24			\$343
25			\$361
26			\$378
27			\$1,569
Subtotal Total		\$207,230	\$6,003
Total		\$862,728	\$868,731

**Total \$ 868,731**

Note: The cost of infill homes in the core and established neighbourhood assumes the purchase of a single home to be torn down and the lot subdivided in 2 lots.

Developing and bedroom construction assumes the purchase of 2 lots.

The figures for core and established neighbourhoods exclude any additional cost or time from rezoning or bylaw requirements. Additionally, excludes any unforeseen construction costs such as asbestos remediation, land contamination, radon, or issues with the existing utilities.

RRHBA survey of Greenfield and Infill Builders and their trade partners found the following sample of items that come at a premium in costing for infill projects:

- Premium charged for surveying due to extra municipal requirements;
- Residential Designers charge a small premium to compensate for additional time required to navigate municipal policies for infill projects;
- Intensification Levy required;
- Several subtrades charge a premium to work in infill locations to compensate for additional items. (*i.e.* excavating in narrower locations)

- that have several obstacles like neighbours fence, parking challenges for equipment etc);*
- Property Tax is a current residential home rate at time of purchase and during construction period. In Greenfield, property tax is for land value only until residential construction is complete;
  - Upgrading water line;
  - Upgrading sewer line;
  - Temporary fencing;
  - Construction garbage bins fill up at twice the rate they do in greenfield neighbourhoods adding additional dumping fees;
  - Potential Tree removal;
  - Potential Infrastructure Capacity Design;
  - Potential Rezoning Application;
  - Potential Demolition Permit;
  - Potential Brown Field Environmental Assessment
  - Potential Brown Field Geotechnical Investigation
  - Potential Curb Change requirements (Note City requires only City Approved Contractors which charge at times double what the cost of Greenfield requires)

Using the 1,300 Sq Ft Housing Unit as an example the builder cost is:

- Core Neighbourhood **\$507,717**
- Established Neighbourhood **\$529,960**
- Developing Neighbourhood **\$465,204**
- Bedroom Community **\$434,365**

With a \$64,756 cost difference between the same home in an established neighbourhood and a developing neighbourhood requires an additional \$15, 471 in household income to qualify for a mortgage in the established neighborhood.

## Financing for Infill is different than Greenfield

If a buyer wants to build an infill home, it faces several challenges. For infill construction, buyers typically purchase land in the form of an existing dwelling to be torn down and hire a builder to construct a new home.

The down payment requirements for infill construction range from a minimum 20%-25% of the value of the existing dwelling.

Infill lenders provide a single loan to finance the land purchase and the construction of the dwelling.

Such a loan is provided in partial installments conditional to the stage of completion of the new dwelling. Lenders conduct inspections before the next portion of the loan is made available.

Homeowners will not have access to all the construction funds until the portion of the loan that covers the land is paid off.

Homeowners (or builders) will carry the financial cost and risk of demolishing the existing property and infill construction.

For the home buyer or project investor the financing cost of the residential unit also comes at a premium. As an example, the cost to purchase an infill lot requires the upfront purchase of the lot or the entire existing home. In Greenfield or in one of the outlying neighbourhoods generally the land can be purchased with deposit or option. This allows the cashflow of the project to better align with the progression of construction.

	Core	Established	Developing	Bedroom
Builders Cost	\$507,717	\$529,960	\$465,204	\$434,365
HH Income required to qualify for a mortgage	\$125,319	\$131,757	\$116,286	\$108,918

**Addressing the Elephant in the Room: Intensification Levy**

Since its inception, the Intensification Levy has developed the reputation as the number one roadblock to intensification. This might be a logical conclusion of public policy decision makers as any current applicants for projects (*the few that occurred*) have passionately pushed back, not wanting to pay the levy. However, in the current ‘Growth Pays for Growth’ strategy by the City of Regina, the Intensification Levy Policy and Fee is sound, people simply do not want to pay it, especially as it adds another cost and risk to any project.

The City could elect to incentivize areas or portions of the Intensification Levy, through exemptions or grants, which would either require investment by the tax payer to cover associated infrastructure costs within the levy. Another option, the City could suspend the levy for a two year period to see if it is indeed an impediment. If infill occurs the revenue lost from no levy could be made up by instituting a higher level of levy when things normalize or through the tax base.

**Regina is a Small City Lacking Big City Reasons for Inner City Living**

In large urban centres, commute times become a more significant factor in locational home buying decisions. In fact, urban economic theory of land values are based on distance from the city centre, which is typically the location of major employment and commerce. Land near the city centre is viewed as more valuable and land values decrease with distance from the city centre. In smaller centres, however, this is less noticeable because the distances are not sufficient to greatly influence housing location decisions. Rather, house characteristics and neighbourhood amenities/safety carry more weight in the decision making process than does commuting might play.



It is generally accepted that in Regina one can get to downtown within approximately 15 minutes even from the most remote neighbourhoods. As such, there is less compelling need to live closer to the city centre. An example illustrating the above would be comparing the commute from the further point on the edge of the City in Harbour Landing to downtown, which would be 15 minutes, to a commute from the edge of the City in Calgary which would be approximately 30 or more minutes. As such, a 15-minute commute in Calgary would mean one is living within the inner city, but to achieve the same short commute in Regina, one can in fact live anywhere they wish. Of course, there are residents that choose the inner city because of its proximity to downtown and more centrally located amenities or even for the more urban like vibe of the inner city. But in terms of choosing housing based on place of employment and commutes, Reginans are more prone to choose the neighbourhood they want to live in and work wherever their job site is.

<b>Regina overlay on Calgary and Ottawa/Gatineau/Hull At Scale To Each Other</b>		
Calgary:	Population 1,239,220 - Land Use 825 km <sup>2</sup> – Density 1,501 ppl/km <sup>2</sup>	
Ottawa/Gatineau:	Population 1,210,488 - Land Use 2790 km <sup>2</sup> – Density 335 ppl/km <sup>2</sup>	
Regina:	Population 236,481- Land Use 180 km <sup>2</sup> – Density 1,195 ppl/km <sup>2</sup>	



Source: StatsCan 2016 Census Subdivision & Mapline.com

## **The Real Obstacle to Intensification is UNCERTAINTY**

There is no doubt that several of the obstacles to successful infill development and intensification is outside of the municipality's jurisdiction. As an example, it would be difficult to address some of the additional costs imbedded in infill development like the premium charged by subtrades or the need for temporary fencing, or even the fact that construction garbage bins fill up at twice the speed as they do in greenfield environments as the existing neighbourhood tends to fill the construction bids with their extra garbage. What the City of Regina can do is mitigate the big risk which ultimately is uncertainty.

As described earlier (*Building Things is a Risky Endeavour*), uncertainty adds such a significant risk to any development that it requires a substantial risk premium (*price*) necessary for a project to go forward. It appears in our current world that only large Cities, where demand outstrips supply, can bare such a risk premium (*price*). However, the tradeoff for the generating such a price premium is often major housing affordability issues.

### **Real Life Example of Passed Over Infill Opportunity**

One of the best examples of the impact of uncertainty on intensification investment is a former school site that remains unsold at 535 Douglas Avenue East. The 1.75-hectare site not far from downtown, in the heart of a great neighbourhood, within walking distance to Wascana Lake, Liable Field and one of Regina's newest elementary schools makes this site one of the most attractive sites in Regina for redevelopment and intensification.

A site like 535 Douglas Avenue set the top of the bar for attractiveness and investment. Every other intensification project in the City would be below this bar for attractiveness and investment for redevelopment.

Yet several developers have passed on the opportunity. The obstacle appears to be:

- The infrastructure service to support re-development is unknown;
- It is zoned Institutional and will require rezoning;
- Nimbyism is anticipated to be high;
- City Council has acted inconsistently with infill applications thereby decreasing builder confidence in approvals; and
- It is unclear what built-form the City of Regina is willing to accept for redevelopment.

If a project is capable of withstanding significant delays, maintaining its financing in place while working through the zoning, infrastructure and

regulatory roadblocks, it will still only take one to three delegates in front of the current City Council to derail the project. The project becomes much too risky and unreasonable for anyone to take a chance.

## **Attracting Investment in Intensification**

There are steps that City Council and City Administration could take to make investment in intensification much more. Key steps include:

1. **Pre-Zoning:** Removes months from approval process and provides strong municipal leadership on the OCP (*See Appendix "H" - Pre-zoning and Democracy*).
2. **Pre-determine Density:** Provide clarity on what the City is willing to accept in local context of each neighborhood.
3. **Pre-determine Built-Form:** This might be as simple as determining building heights or go as far as determining built forms.
4. **Pre-servicing Identification:** Identifying in advance what requirements in will be to achieve priorities 1, 2 and 3 listed above.
5. **Political Will:** if it is a Council and policy priority, Council members need to have the political fortitude to see past the type of opposition that is rooted simply in not changing anything within their neighbourhood. Infill development is inherently about change and renewal and Council should needs to accept that decisions about change cannot always make everyone happy.

In the end it is really the upfront work by the City of Regina to ensure that there is a high level of clarity for the residence, investor, designers and builders on what is going to occur on that land.

If the City of Regina chose to incent intensification development past that, it will require taxpayer involvement with programs to mitigate some of the additional costs in infill and intensification described in this paper. As a principal, if intensification is truly beneficial, then it is beneficial across the entire City, not just in specific neighbourhoods.

Every neighbourhood will have citizens who do not believe that intensification is right for their neighbourhood. This is why some municipalities have developed programs to address Not In My Back Yard (*NIMBYism*) to better prepare neighbourhoods for infill and/or gentle densification. The Regina & Region Home Builders' Association would certainly be open to partnership on developing NIMBY to YIMBY (*Yes in my back yard*) programs.

## Balanced Growth Objectives – Greenfield and Infill

The discussion of growth and growth patterns sometimes take on a limiting mindset of views of greenfield vs infill. More notably, opponents of greenfield typically refer to it as urban sprawl. The problem with this reference is that the definition of urban sprawl has become bastardized to the extent that it has lost its original meaning. The traditional definition used by planners when the term was coined decades ago referred to suburban development that is haphazard, disorganized, un-contiguous (leapfrog in nature), and/or largely unplanned, at very low residential densities with limited non-residential uses.

Today, however, the new neighbourhoods are built at higher densities than neighbourhoods built since the 1970s, and with a greater range of uses, making them both more complete and sustainable. Evidence of this in Regina is that the highest used transit route in the city is within Harbour Landing, one of the newer greenfield communities built with higher densities and a mix of uses. The municipal politicians should recognize and be proud of the positive advancement of greenfield neighbourhoods and continue to ensure they are built in this fashion, as they are more sustainable than neighbourhoods of the last 50 years.

Regarding infill, there is no question that there are opportunities for intensification to optimize existing infrastructure and services. Also, given the trend of decreasing household sizes, infill development helps offset population decline in existing neighbourhoods. As such, it too is a type of development should be encouraged by the City. It cannot be ignored, however, that the infill process is more complicated, more politically sensitive, has greater liability and regulatory barriers, often experiences NIMBYism, and sometimes is not aligned with market preferences. These factors need to be addressed, but the answer is not through simply restricting access to housing in new peripheral neighbourhoods. Restricting access to greenfield neighbourhoods would erode affordability by simply forcing up the price of land and housing, while also driving people to choose other communities just outside of Regina.

The answer to growth is to continue to build new neighbourhoods that are complete communities – i.e. provide a range of uses and housing types – while also working to make infill housing more appealing for citizens and easier to develop for the private sector.

## Conclusion

Regina has an overarching plan to accommodate growth in its creation of the Official Community Plan (OCP), which sets the goal to accommodate growth with 30% directed to inside the existing City footprint and 70% in newly developed neighbourhoods.

What the authors of the OCP did not consider enough, is the Western Canadian cultural housing preferences and more generally locational considerations of the market. There are many factors that influence the decisions that people make in regard to housing. Many of the factors are in their control and only a few are not (*i.e. Mortgage rules*). Regina citizens and newcomers have options when it comes to housing. These options include living within the City limits or choosing one of the emerging bedroom communities on the outskirts of Regina City limits. Collectively, we need to develop a shared understanding of where and how people want to live and what we can do to make a broader range of options attractive.

The evidence suggests:

- Growth is critical to maintaining our standard of living;
- The Greater Regina Area will continue to grow, even if at a moderate pace. Newcomers will primarily be driven by international immigrants;
- Household preferences are for increased square footage in ground-oriented homes. In most cases families ultimately aspiring towards single family homes;
- Density is important, but a proper allocation of demand is more relevant. Demand, and not public policy, is the key driver of supply and it pushes developers to provide different types of products at price points where demand is greatest;
- Government planning strategies alone cannot deliver affordable housing as an outcome, but it can help reduce risk to developers and builders who generate supply;
- If government policies limit supply, which artificially create upward price pressure, Regina's advantage of affordable housing will be eroded;
- Intensification in established neighbourhoods is more expensive, more difficult to finance and slower to deliver compared to developing and densifying greenfield areas;
- To successfully achieve the OCP Intensification targets of 30% requires a new approach based on removing uncertainty and risk and better understanding how to make infill an attractive choice to residents;

- If intensification is truly beneficial, then it is beneficial across the entire City, not just in specific neighbourhoods;
- Affordable housing is an integral part of the Regina Advantage, which attracts and retains population; and
- To increase or maintain housing affordability in the City of Regina, encouragement of increasing housing supply and improving certainty for builders of infill and intensification is a necessity.

Metropolitan areas without urban containment policy have been more successful at preserving middle-income housing affordability. For Regina this is one of the most reliable approaches for retaining housing affordability.

Balanced growth includes people having opportunity to make choices (market driven) where they want to live. A progressive City offers many choices to accommodate a wide variety of housing choices and opportunities.

## Recommendations

We encourage an approach to City Planning and Community Development that recognizes citizens desires and preferences, encourages the benefits of higher density communities and , recognizes our advantage to provide a wide variety of housing options. To accomplish this the City of Regina needs to provide certainty for development and investment.

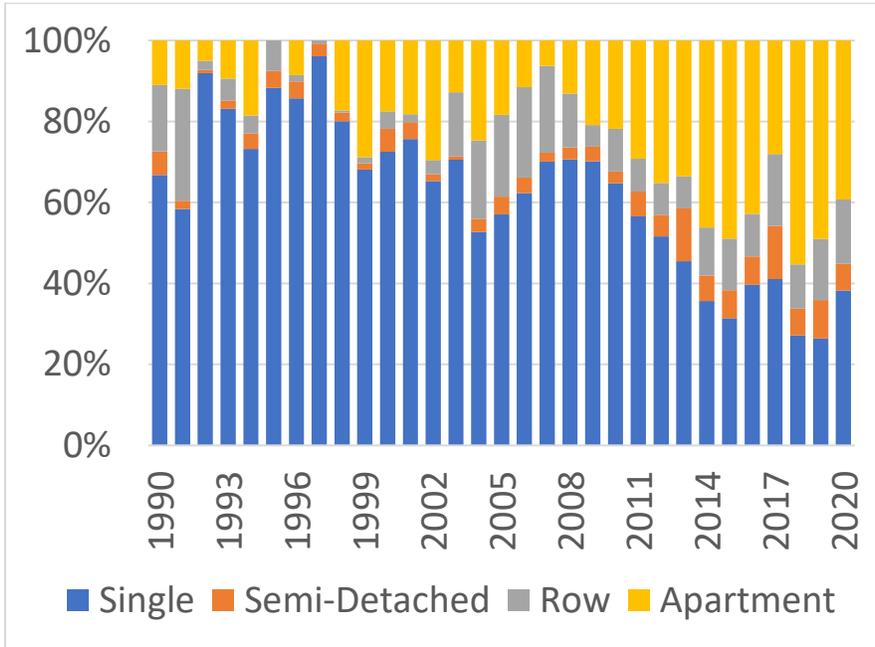
This includes:

- Take a market based approach to attract investment for intensification of the existing city footprint by:
  1. Pre-Zoning: Clarity on what the City is willing to accept;
  2. Pre-determine Density: Clarity on what the City is willing to accept;
  3. Pre-determine Built-Form: This might be as simple as determining building heights; and
  4. Pre-servicing identification - identifying what requirements in advance to achieve priorities 1, 2 and 3 listed above.
  5. Political Fortitude: Ensure unfounded NIMBYism does not prevent positive neighborhood renewal.
- Ensuring there is an ample supply of serviced lots in greenfield development through timely approvals of new neighbourhoods as layed out in the OCP Growth Plan.
- Stop mislabeling Greenfield growth as urban sprawl. The new greenfield neighbourhoods in the OCP are based on complete neighbourhood principals which are not urban sprawl. Regina does not have an urban sprawl issue within its City limits. Greenfield neighbourhood in Regina today, are more sustainable than neighbourhoods of the last 40-50 years, and overwhelming are being chosen for by residents for their positive attributes.

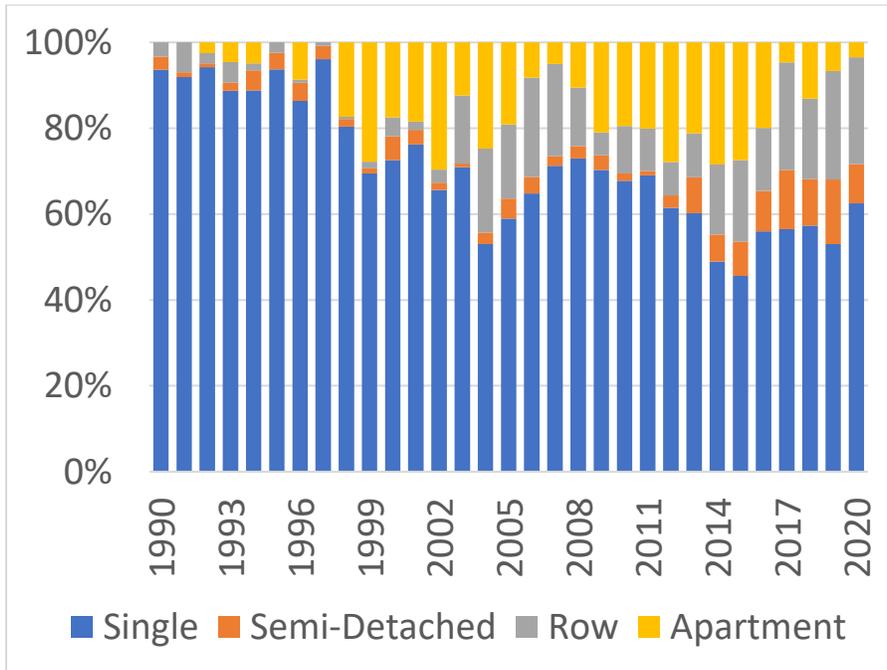
## Appendix "A" New Housing Market

Additional Charts related to the New Housing Market & New Housing Supply

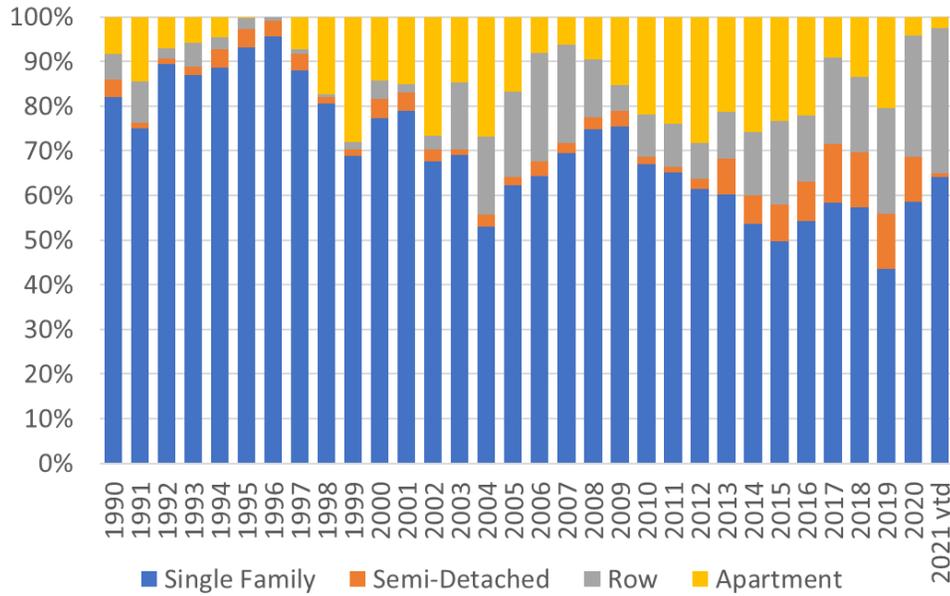
### Overall Housing Supply By Property Type



### Homeownership Housing Supply By Property Type

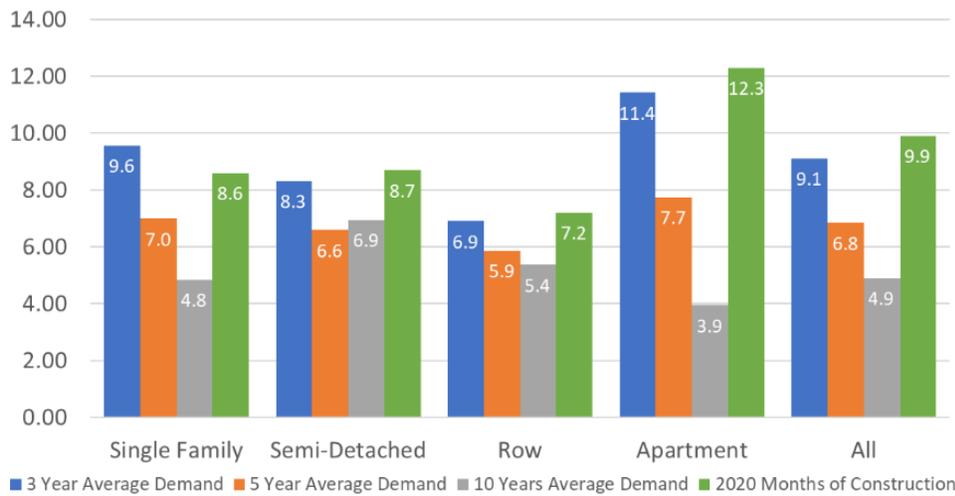


### New Housing Absorption by Property Type



Source: Canada Mortgage & Housing Corporation

### New Housing Market – Months of Supply Completed and under construction projects



2019 and 2020 were 2 of the 3 slowest years on record for home sales in Regina since 2000, therefore a 3 year average demand will be skewed to the low end.

Source: RRHBA calculation with data from Canada Mortgage & Housing Corporation

## **NAR 2020 Community and Transportation Preference Survey**

The National Association of Realtors 2020 "Community and Transportation Preference Survey" reveals that families with children in school show an increased desire for detached homes. The report also reveals people under the age of 40 have a reduced desire to reside near highways, public transit or their place of work. The importance of public transit nearby dropped by 8% from pre-pandemic levels.

That said, interest in walkable communities is alive and well, and there exists a 1 in 5 living preference for an attached home in a walkable community with a shorter commute. Respondents strongly agreed that when there are lots of places to walk nearby, show an 8% increase in quality of life. Individuals older than 55 and those with higher incomes show an increase interest in walkability.

The NAR survey adults from the fifty-largest metro areas questions about where and how they live and where and how they might want to live in the future.

When asked about priorities about their preferred trade-off between amenities and walkability versus a large-detached house with a big yard, the split in preferences has remained close to 50/50 over the last three surveys. However, there appears to be a small uptick toward large homes and less amenities.

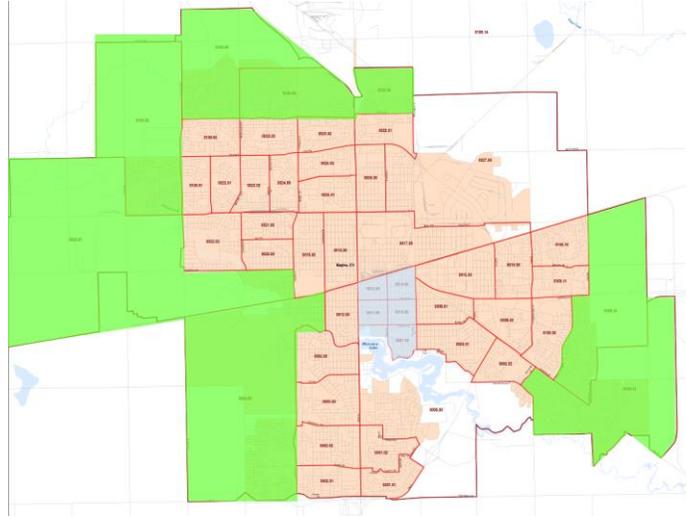
## Appendix “B”

### Housing By Neighbourhoods

#### Neighbourhood Regions

This analysis uses the following regions

- City of Regina
  - Core Blue
  - Established Beige
  - Developing Green
- Other municipalities within the Regina CMA



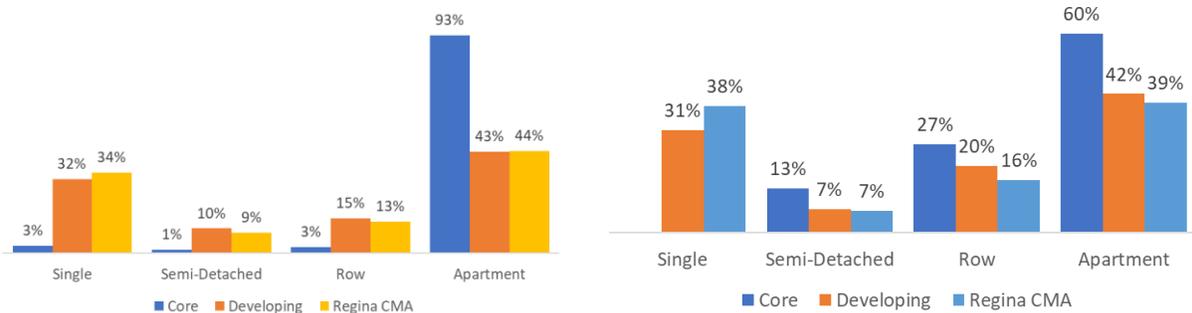
This analysis uses data from multiple sources based on Statistics Canada 2016 Census tracts. Census tracts are small geographic areas that usually have a population between 2,500 and 8,000 persons.

A committee of local specialists (for example, planners, health and social workers, and educators) alongside Statistics Canada delineates the census tracts.

Source: Statistics Canada

#### New Supply By Neighbourhood Type

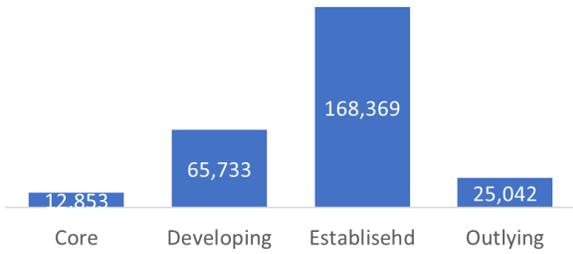
2016-2020 New Supply By Property Type & Neighbourhood Type      2020 New Supply By Property Type & Neighbourhood Type



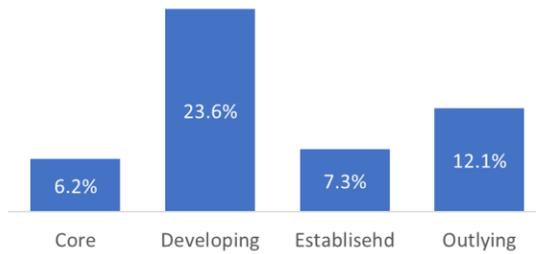
Regina’s Core new supply has predominately driven by multi-unit housing

Source RRHBA calculation with data from CMHC

**2020 POPULATION BY NEIGHBOURHOOD TYPE**

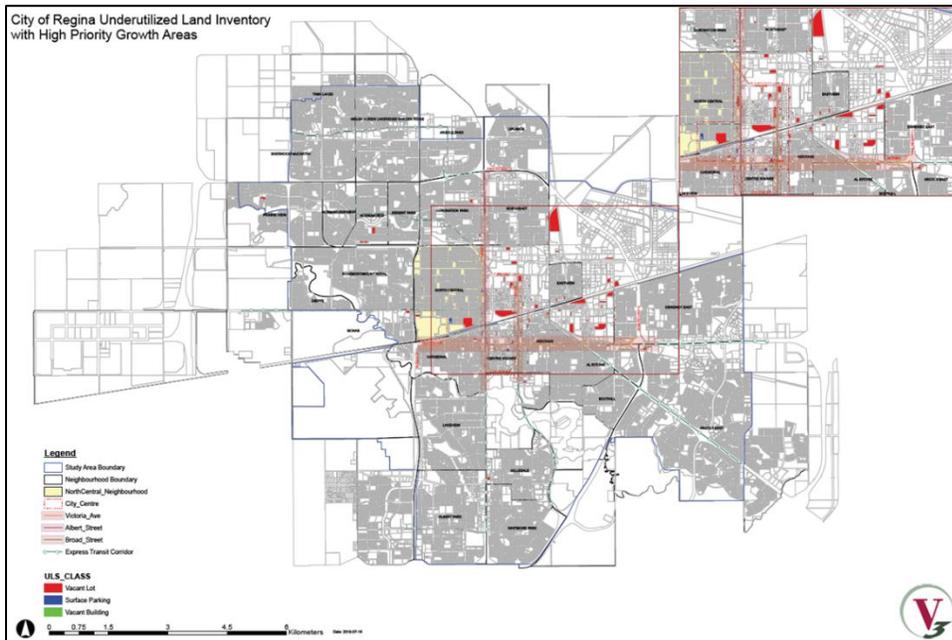


**2020-2025 POPULATION GROWTH BY NEIGHBOURHOOD TYPE**



Source: Environics Analytics

**Underutilized Land Inventory**



The vast majority of the vacant land is concentrated within the city center boundary alongside the warehouse and Ross industrial regions

Source: City of Regina

## Appendix "C"

### Infill Construction

#### Infill Homeowner Construction

##### Purchase of Existing Home

Size	1300 SF	1,500 SF	1,800 SF
Price	\$340,000	\$397,000	\$439,000
10% Down payment	\$17,000	\$19,850	\$21,950
Mortgage Payment*	\$1,446.93	\$1,689.50	\$1,868.24

##### Infill Construction financing

Dwelling Size (SF)		1300 SF	1,500 SF	1,700 SF
<b>Purchase of existing home to be demolished</b>	Price	\$340,000	\$397,000	\$439,000
	25% Down payment	\$85,000	\$99,250	\$109,750
	<b>Loan</b>	<b>\$255,000</b>	<b>\$297,750</b>	<b>\$329,250</b>
	Mortgage Payment*	\$1,523	\$1,778	\$1,967
<b>Demolition</b>	cost	\$15,000	\$15,000	\$15,000
<b>Construction</b>	Cost per SF	\$225	\$210	\$195
	Total Construction	\$337,500	\$315,000	\$351,000
<b>Infill Total Cost</b>	Land + Home	<b>\$607,500</b>	<b>\$627,750</b>	<b>\$695,250</b>
<b>Mortgage Draws</b>	15%	\$50,625	\$47,250	\$52,650
	40%	\$135,000	\$126,000	\$140,400
	65%	\$219,375	\$204,750	\$228,150
	85%	\$286,875	\$267,750	\$298,350
	100%	\$337,500	\$315,000	\$351,000
<b>True downpayment</b>	Loan + Recovery draw	<b>\$304,375</b>	<b>\$304,000</b>	<b>\$337,900</b>
	Share total costs	50.1%	48.4%	48.6%

**X**

Represents the stage at which the original loan was recovered

## Appendix “D”

### Housing Affordability

Housing affordability is more than house prices, it is house prices in relation to income. Price-to-income ratio affordability measures are widely used, such as by the World Bank, the Organization for International Cooperation and Development, and others to measure housing affordability. One such measure of middle-income affordability is the average amount of household income (pre-tax) required to purchase the average home (*house price*) in a City (CMA).

Housing Affordability Rating	
Affordable	3.0 & Under
Moderately Unaffordable	3.1 to 4.0
Serious Unaffordable	4.1 to 5.0
Severely Unaffordable	5.1 & Over

Housing affordability can then be compared between housing markets (*such as between Toronto CMA, Halifax CMA and Calgary CMA*) or over the years within the same housing market.

Table 3  
Housing Affordability: Canada Markets: 3rd Quarter 2020

Intl. Rank	Canada Rank	Market	Median Multiple	Intl. Rank	Canada Rank	Market	Median Multiple
	28	Barrie, ON	6.3		38	Nanaimo, BC	8.5
	29	Brantford, ON	6.5		31	Oshawa, ON	7.1
29	17	Calgary, AB	4.1	57	24	Ottawa-Gatineau, ON-QC	5.2
	33	Cambridge, ON	7.4		30	Peterborough, ON	6.9
	3	Cape Breton, NS	2.9		11	Quebec, QC	3.5
	15	Charlottetown, PEI	4.0		7	Red Deer, AB	3.2
	34	Chilliwack, BC	7.8		8	Regina, SK	3.3
17	13	Edmonton, AB	3.8		5	Saguenay, QC	3.0
	39	Fraser Valley, BC	8.7		1	Saint John, NB	2.4
	1	Fredericton, NB	2.4		13	Saskatoon, SK	3.8
	36	Guelph, ON	8.2		17	Sherbrooke, QC	4.1
	19	Halifax, NS	4.4		27	St. Catharines-Niagara, ON	5.7
	37	Hamilton, ON	8.4		10	St. John's, NL	3.4
	21	Kamloops, BC	4.9		8	Thunder Bay, ON	3.3
	35	Kelowna, BC	7.9	88	41	Toronto, ON	9.9
	25	Kingston, ON	5.4		3	Trois-Rivieres, QC	2.9
	32	Kitchener-Waterloo, ON	7.2	91	42	Vancouver, BC	13.0
	12	Lethbridge, AB	3.7		40	Victoria, BC	9.5
	23	London, ON	5.1		20	Whitehorse, YT	4.8
	6	Moncton, NB	3.1		21	Windsor, ON	4.9
61	26	Montreal, QC	5.6		15	Winnipeg, MB	4.0

International Rank: *Demographia International Housing Affordability 2021 (92 Markets)*

Continued price escalation of the Canadian housing market has been well documented and reported in the media.

Along with historically low mortgage interest rates, many Canadian municipalities find themselves in this unsustainable rate of price gains in large part because of the fundamental law of supply and demand.

The pandemic accelerated the demand for housing throughout the nation. This is evident by multiple bidding wars, sales over listing price, contingencies waived, and most homes sold within days of being listed in many Canadian markets.

The demographic tailwinds of millennials reaching their prime years for family formation, and the expanding value of a home as a social refuge and workspace, have only added fuel to the healthy demand already present pre-COVID.

For many Cities in Canada, the demand is not speculative, it's real. As prices continue to climb, more and more home buyers will be elbowed to the sideline.

As Canada and the world unwinds from the pandemic, immigration levels are anticipated to climb. The supply woes will continue for at least the next couple of years.

So, how can government effectively address the affordability crisis that is causing distress to the middle class and their search for a home?

First, the antagonistic reproach to businesses, property owners, and developers can be dialed down a notch. The Hippocratic Oath, "first do no harm," should be applicable when policy decisions are made to address attainable housing. Some legislation, while laden with good intentions (the road to hell is paved with them), results in worsening the affordability predicament.

The highest priority for governmental action, to most effectively address supply of housing units. We don't have far to look before finding affluent cities (*Vancouver, Toronto*) to see how an affordability crisis can have plenty of runway to get worse. With a more concerted effort among public policy decision makers and home builders, we can implement policies that foster responsible development and help the middle class hold to the Canadian dream of owning the place they call home.

Source: The Housing Indicators Program, The World Bank,  
<http://siteresources.worldbank.org/INTURBANDEVELOPMENT/Resources/336387-1169578899171/rd-hs7.htm>.  
Also see Shlomo Angel, *Housing Policy Matters: A Global Analysis*. Oxford University Press, 2000.

## Appendix “E”

### Pan-Canadian View on Housing Supply: sampling of 2021 headlines

#### **Scotia Bank: Canada’s housing market is the most undersupplied in the G7 –** Livability - May 2021

In the report, published this week, Scotiabank Chief Economist Jean-François Perrault wrote that Canada has the lowest number of homes per 1,000 residents of any G7 country, a figure that’s actually been decreasing further in recent years as the country’s population rises rapidly.

[https://www.livabl.com/2021/05/canada-housing-market-most-undersupplied-g7.html?utm\\_source=Weekly+BuzzBuzzReport&utm\\_campaign=2662b6ed5f-EMAIL\\_CAMPAIGN\\_2018\\_06\\_29\\_03\\_54\\_COPY\\_01&utm\\_medium=email&utm\\_term=0\\_6d6db2b31f-2662b6ed5f-217897001](https://www.livabl.com/2021/05/canada-housing-market-most-undersupplied-g7.html?utm_source=Weekly+BuzzBuzzReport&utm_campaign=2662b6ed5f-EMAIL_CAMPAIGN_2018_06_29_03_54_COPY_01&utm_medium=email&utm_term=0_6d6db2b31f-2662b6ed5f-217897001)

#### **New CMHC CEO says best way to combat soaring home prices is building new housing –** Globe and Mail - July 2021

The new leader of Canada’s national housing agency says the best way to combat soaring home prices is to build more housing.

“I do think housing is becoming a really significant societal issue,” Ms. Bowers said in an interview. “What worries me about escalating house prices is that it exacerbates the gap between homeowners and people who are not homeowners.”

“It really makes me feel that we need to double down on some of the things that we have been working on – our focus on supply, our focus on rental, our focus on creating more dense neighbourhoods in our cities,” said Ms. Bowers.

Ms. Bowers said she has heard from many young people that homeownership seems so out of reach. “In my mind, the best way to address house price escalation is to provide more supply,” she said.

#### **International Monetary Fund – Assessing House Prices in Canada** November 2019

“As the International Monetary Fund (IMF) has advised Canada since 2018, in order to tackle housing affordability in this country, “Canada needs to build more houses”. The IMF has rightly observed that to address housing affordability, regional and federal authorities in Canada need to work together to develop and implement a comprehensive housing supply strategy. While it is tempting to try to cool the market with demand-side measures, such activity only creates pent-up demand and limits supply, which can cause rapidly increasing house prices when conditions change and demand again outstrips supply, like we are seeing now.”

### **Minsters Round Table – CHBA – June 2021**

Deputy Prime Minister and Finance Minister Chrystia Freeland and Minister for Housing Ahmed Hussen hosted by invitation only a minister's roundtable of housing experts. The discussion among a small group of invited industry stakeholders, experts and practitioners reviewed the current state of housing market and potential ideas to improve affordability across the country. Market rate affordability, particularly as it pertains to homeownership and the key **solution: more housing supply.**

### **Homebuilders have been busy during the pandemic, but Canada still needs more housing – Financial Post – July 2021**

The resulting statistics are sobering. From almost 12,000 housing starts per million people in the early 1970s, housing construction has declined to about 6,000 starts per million people in the recent past. What's more, current construction activity has been concentrated in high-rise housing that meets the shelter needs of smaller-sized households, leaving families to compete for shelter in increasingly scarce low-rise housing.

Most academic research in housing is primarily focused on the demand side. Regrettably, the supply side of the housing equation has not attracted as much scholarship as the demand side did.

Furthermore, homebuilders are often described in pejorative terms in the literature, increasingly seen as the purveyors of urban sprawl and not necessarily as ones providing opportunities for shelter.

### **Mortgage Broker News – How did Canada's residential construction sector fare during the pandemic year. July 2021**

“a spike in demand for single-family houses and townhomes. The past year demonstrated that Canadians' homes are more important to them than ever, and that home ownership remains a fundamental aspiration for Canadians for so many reasons.”

## Appendix “F”

### Land Markets, Urban Containment and Housing Affordability

#### What is Urban Containment?

According to prominent urban planners Arthur C. Nelson and Casey J. Dawkins: “... urban containment involves drawing a line around an urban area. Urban development is steered to the area inside the line and discouraged (if not prevented) outside it.” Further “... urban containment programs can be distinguished from traditional approaches to land use regulation by the presence of policies that are explicitly designed to limit the development of land outside a defined urban area, while encouraging infill development and redevelopment inside the urban area.”

Urban containment is intended to increase land costs. According to Nelson and Dawkins “ ...the regional demand for urban development is shifted to the area inside the boundary. This shift should decrease the value of land outside the boundary and increase the value of land inside the boundary.”

William Alonso of Harvard University showed that the value of residential land tends to increase from the rural uses on the urban fringe to centers of economic activity, such as central business districts. The impact of urban containment on urban land values, consistent with Nelson and Dawkins, is illustrated in Figure 7. The land value increases inside the urban growth boundary (UGB) are the “urban containment effect.” Thus, urban containment may be the most destructive on housing affordability of widely used land use strategies (Source: *Restrictive Land Use Regulation: Strategies, Effects and Solutions*)

#### How do landowners react to Urban Containment?

In an environment of a relatively inexhaustible supply of land, speculation can be reasonably efficient while the competition to sell land keeps prices low. The end result may be that housing prices will not be affected materially. However, when supply is constrained, even if upzoning increases development capacity, the number of players in the land market can fall and cartels may form. Furthermore, an assumption of urban containment policies is that undeveloped land inside the boundary will come on-line in sufficient amounts and at appropriate times to sustain development. There is no research into this, however. Will owners of land, knowing they hold an oligopolistic position in the land market, delay its sale to get a higher price? (Source: Lincoln Institute of Land Policy)

#### Do Urban Containment Strategies lead to growth in Bedroom Communities?

Portland Oregon is the most mentioned city in the U.S. in urban planning literature. As the first predominant U.S. city to propose an Urban Containment Boundary in 1977, which was passed by the state in 1980.

Myung-Jin Jun research on "*The Effects of Portland's Urban Growth Boundary on Urban Development Patterns and Community*" found Portland's Urban Containment Boundary was ineffective in slowing down suburbanization and reducing auto use. According to Jun, "A significant level of spill over from counties in Oregon to Clark County, Washington took place in the 1990s, indicating that the UGB diverted population growth into Clark County."

While Portland Oregon often gets the accolades for pioneering urban growth boundaries, it was Lexington, Kentucky that created the first Urban Containment Boundary in 1958. At that time it was a city of 60,000 residents, with many working in agriculture and related industries.

Originally the Urban Containment Boundary took the shape of a greenbelt to protect property values in horse country for gentlemen farmers and international oligarchs drawn to the countryside aristocratic flavors.

Today Lexington has over 350,000 residents, with a diverse economy attracting economic migrants to work in advanced manufacturing, healthcare and education. With growth, rising incomes and scarcity of developable housing prices are surging. "As a response, housing demand has shifted both inward and outward- driving gentrification in the city's African-American North Lexington neighborhood as new construction shifts to far flung suburbs beyond the greenbelt.

While the approved 2019 comprehensive plan for Lexington opted to keep the existing greenbelt in place, it's clear that current land-use patterns aren't working. And with Lexington's chief assessor David O'Neill projecting an additional 40,000 residents by 2025, the present housing scarcity likely isn't sustainable going forward, either. If Lexington is going to keep its greenbelt, more housing needs to go somewhere." (Source: America's First Greenbelt May Be in Jeopardy)

Source: Arthur C. Nelson and Casey J. Dawkins, *Urban Containment in the United States: History, Models and Techniques for Regional and Metropolitan Growth Management*, American Planning Association Planning Advisory Service, [https://www.researchgate.net/publication/288101674\\_Urban\\_containment\\_in\\_the\\_United\\_States\\_History\\_models\\_and\\_techniques\\_for\\_regional\\_and\\_metropolitan\\_growth\\_management\\_\(2004\)](https://www.researchgate.net/publication/288101674_Urban_containment_in_the_United_States_History_models_and_techniques_for_regional_and_metropolitan_growth_management_(2004)).

Arthur C. Nelson, Thomas W. Sanchez and Casey J. Dawkins (2004), "The Effect of Urban Containment and Mandatory Housing Elements on Racial Segregation in the United States," *Journal of Urban Affairs*. <https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.521.4467&rep=rep1&type=pdf>

Arthur C. Nelson (2020), "Effect of Urban Containment on Housing and Landowner Behavior" Lincoln Institute of Land Policy. <https://www.lincolinst.edu/publications/articles/effects-urban-containment-housing-prices-landowner-behavior>

Myung-Jin Jun (2003) "The Effect of Portland's Urban Growth Boundary on Urban Development Patterns and Commuting." Urban Studies, Vol. 41 No. 7, 1333-1342 June 2004.

Nolan Gray (2019) "America's First Greenbelt May Be In Jeopardy" CityLab

## Appendix “G”

### Democracy & Pre-Zoning

Pre-zoning isn't affordability, sustainability, density, or livability. It's democracy.

Official Community and Zoning Bylaw Reviews are an exercise municipalities generally take on every couple of decades. These plans govern how they'll grow. Amendments come forward over the coming years to meet changing and expected needs.

During and OCP or Zoning Bylaw Review a lot of effort and investment is made by community stakeholders in these plans. However, over the years the plans are in effect, they are largely ignored on a case-by-case basis. This process often pits the municipality and the OCP (public policy driven) against the developer (market driven) against the neighbourhood (interest in keeping things the same). Cynicism at all levels is the most common result in this adversarial process.

Pre-zoning is a solution to that problem, while ensuring the Official Community Plan can actually guide where we go.

Pre-Zoning is an emerging tool of municipalities to enhance the democratic process, bringing City Planners, Councillors, Neighbours, and Developers all to the table and have to negotiate around what that new building or group of buildings would mean for the area.

Pre-Zoning brings to the table at a community level the potential myriad of changes that could come all the time allowing the community groups to be part of the discussion.

Recognizing an assumption by existing residents that they are owed the right to determine what specific development happens nearby. It address the perceptions, rights and jurisdictions and communications in advance. Not after the fact on the City Council floor when the development application is going forward.

Zoning battles on the City Council floor tend to favor the rights of existing homeowners over new arrivals, prospective homeowners or renters. The reality is a city needs a variety of people.

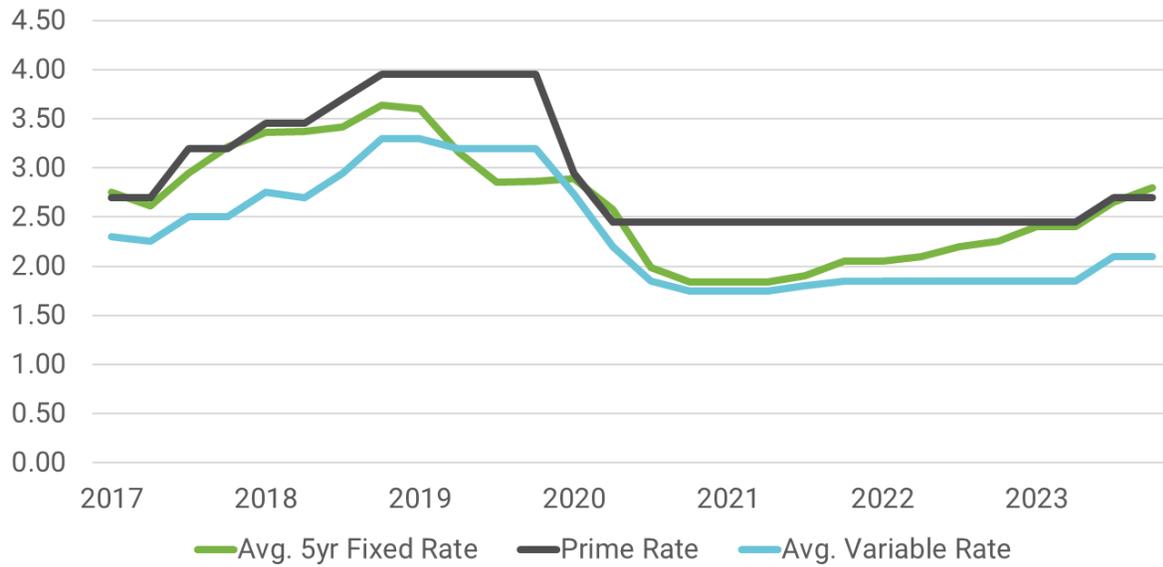
You need people to work in the stores. You need grandparents. You need people from different social economic levels of which some are poor, and some are rich. We need the young and we need the old.

In the end, it is all about making some space for a more diverse, sustainable and dynamic neighbourhood.

Source: [www.smartergrowthregina.ca](http://www.smartergrowthregina.ca)

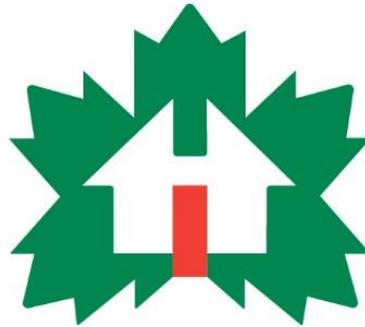
## Appendix “H”

### Interest Rates



Source: BCREA Economics

## Regina & Region Home Builders' Association



The Regina & Region Home Builders' Association is the professional association that represents residential construction and renovations. The Association members involved in the housing sector and provides the only professional certifications available for home builders and renovators. We are the expert voice invested in bringing insight to public policy makers on matters that affect affordability, quality, and choice of housing in the Greater Regina Area. We work collaboratively with stakeholders and government to get us there.

This report was prepared by Stu Niebergall MBA, President & CEO of the Regina & Region Home Builders Association.

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