

**Analysis of Municipal Policies Affecting the Costs of Residential Construction in Peterborough and Kawartha Lakes Area**

Includes:

Final Report

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Peterborough, a city situated on the Otonabee River in Ontario, Canada, spans a total land area of 64.76 km<sup>2</sup> and is located approximately 125 km northeast of Toronto (City of Peterborough, 2023). Known for its historical significance, natural landscapes, and strategic importance in the region, the city has seen substantial population growth in recent years. The 2021 census recorded Peterborough's population at 83,461 (Statistics Canada, 2022). However, by June 2023, this number had surged to approximately 130,000, reflecting a significant increase in residents (Voice of Business, 2023). This rapid growth has put immense pressure on the city's housing market, necessitating urgent efforts to expand its residential housing stock.

The broader context of Ontario's housing crisis has led both local and provincial governments to take proactive measures to increase housing supply and address affordability issues. The Ontario provincial government has set ambitious housing targets for municipalities across the province to alleviate these challenges. For Peterborough, the goal is the construction of 4,700 new housing units by 2031 (City of Peterborough, 2023). In response, the City of Peterborough has introduced its Municipal Housing Pledge, a comprehensive strategy designed to accelerate housing development. The pledge outlines key initiatives, including streamlining approval processes, revising zoning laws, and leveraging provincial funding programs like the \$1.2 billion Building Faster Fund (City of Peterborough, 2023). These measures aim to address the growing housing shortfall and support sustainable growth in the region.

**OBJECTIVE:**

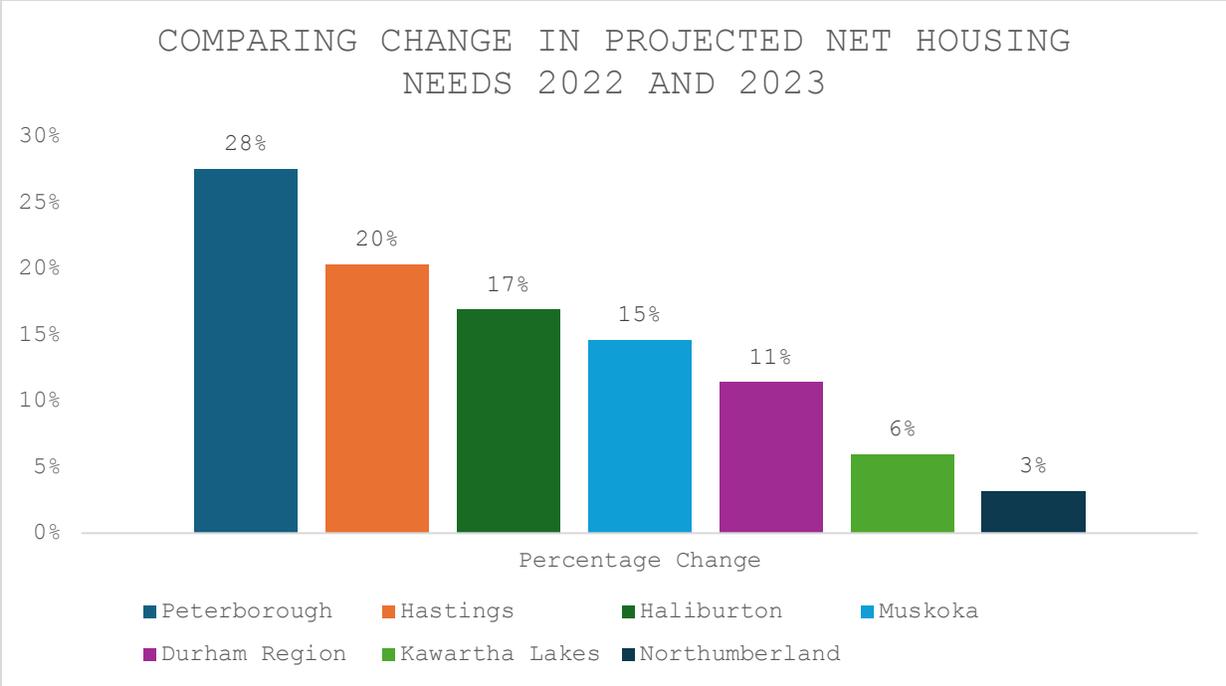
This report is a collaborative initiative between the Peterborough and Kawartha Home Builders Association (PKHBA) and a team of community-based researchers at Trent University, aimed at examining the impact of municipal policies on residential construction in Peterborough and Kawartha Lakes area. The study focuses on how these policies affect the rate of housing development and how they contribute to, or mitigate, housing insecurity in the area. Through an analysis of policy frameworks, regulatory barriers, and stakeholder engagement, this research seeks to provide a comprehensive understanding of the local development landscape and offer practical recommendations for improving housing availability. The main goal of this paper is to address the following questions:

- (1) What municipal policies and guidelines support and act as barriers to the construction of new residential units?
- (2) How do existing municipal plans seek to address housing security, and are these plans being actualized?
- (3) What overall impact do municipal policies and guidelines have on the construction of new residential units

**COMPARING CLOSEBY REGIONS WITH PETERBOROUGH FOR CHANGE IN HOUSING NEEDS AND HOUSING SHORTAGE BETWEEN 2022-23**

<b>Census Division</b>	<b>Projected net housing needs 2022</b>	<b>Projected net housing needs 2023</b>	<b>Net Change</b>	<b>Percentage Change</b>	<b>Existing Housing Shortage from Suppressed Household Formations 2023</b>
Peterborough	9,285	11,844	2,559	28%	9,037
Hastings	9,797	11,790	1,993	20%	8,986
Haliburton	1,639	1,916	277	17%	1,442
Muskoka	6,702	7,684	982	15%	5,379
Durham Region	89,952	100,215	10,263	11%	60,284
Kawartha Lakes	8,206	8,696	490	6%	5,344
Northumberland	8,393	8,661	268	3%	4,995

This table shows how the housing needs in Peterborough and six other regions within Ontario have changed between 2022 and 2023 only. As can be seen from the table, Peterborough faces the highest percentage increase in projected net housing needs over one year i.e. 28%. A net increase of 2,559 from 2022 to 2023 was observed. Being the region with one of the highest housing needs among the above-mentioned regions, Peterborough hasn't been able to fix the housing needs of its residents as it still faces household formations shortage of 9,037.



This diagram shows a graphical representation of the increase in housing needs in different regions of Ontario. Peterborough is the region with the highest increase in housing needs over one year, which is alarming. This community research paper will try to figure out what municipality initiatives are being taken to tackle the growing housing needs of Peterborough and what factors are acting as a barrier to achieve the Municipal goals.

**PETERBOROUGH’S MUNICIPAL HOUSING PLEDGE:**

Municipal housing policies play a critical role in shaping the development landscape of cities, particularly in the context of rapid population growth. The Provincial government has assigned the City of Peterborough with a growth target of 4,700 housing units by 2031. This portion of the report provides a framework for understanding the impact of Peterborough’s Municipal Housing Pledge to increase the supply of housing through initiatives and priorities to

achieve the target set for 2031 of 4700 housing units. The city is committed to achieving this target with 10 municipal initiatives as stated below:

- (1) Full-Cost Recovery Planning Fees/Development Approval Process Review.
- (2) Development Engineering Guidelines and Standard Operating Procedures.
- (3) Engineering Design Standards and Construction Specifications Gap Analysis and Recommendations for Improvement including the preparation of Terms of Reference for a variety of studies and reports most commonly required to support development applications.
- (4) Online Planning, Building and Related Approvals.
- (5) Plan Build Peterborough.
- (6) City of Peterborough Tree Protection and Urban Forestry Guidelines.
- (7) Central Area and Mixed-Use Corridors Urban Design Guidelines.
- (8) Retention of Temporary Staff, Peer Review Consultants to Clear Application Backlog, and Technology to facilitate Development Review.
- (9) Review of Parking By-laws.
- (10) Feasibility for community planning permit system

These above-mentioned initiatives outline the municipality's commitment to achieving the target. These initiatives are consistent with the city's Housing Action Plan submitted to CMHC. Municipality initiatives also align with the four pillars of the 2030-2050 strategic plan. These four pillars are:

- (1) Growth and economic development
- (2) Community and well-being.
- (3) Governance and fiscal sustainability; and
- (4) Infrastructure

### **FUNDING THROUGH BUILDING FASTER FUND INCENTIVE PROGRAM & CMHC ACCELERATOR FUND:**

All the initiatives under the Municipal Housing Pledge are subject to funding from the government. There are two main streams of funding the municipality aims to obtain i.e. Building Faster Fund incentive program and CMHC Housing Accelerator Fund. The city of Peterborough is eligible to 3.76 million dollars under building faster fund. But CMHC funding is yet to be obtained. Significant human resources are required to act upon the initiatives. All of the initiatives are either in progress through the Province's Streamline Development Approval Fund and building faster fund or proposed through the City's CMHC Housing Accelerator Fund. If the City is not successful with the Housing Accelerator Fund, these initiatives will be postponed until such time as they are funded through future capital funding approvals over a longer term. This will act as a barrier that will slow down the city's progress in increased housing.

The provincial government of Ontario has allocated 1.2 billion Dollars under the Building Faster Fund incentive program to help municipalities achieve their housing goals and to reward municipalities that are performing well. The amount of funding a municipality receives is directly proportional to the contribution they are making in order to achieve the government's goal of

building 1.5 million homes by 2031. Subject to conditions, Peterborough is eligible to a 3.76 million dollars under this fund.

The city of Peterborough is assigned with a target of building 4700 homes by 2031. In order to access the allocated funds, municipality authorities are required to show commitment to achieving the provincial goal in writing. The Peterborough Municipality Housing Pledge shows Peterborough's commitment in this regard and will help the city in obtaining the allocated funds.

These funds can be used to recover loss that is anticipated due to municipal growth related initiatives such as development charges and parkland dedication.

## **ECONOMIC, POLICY AND REGULATORY BARRIERS IN WAY OF HOUSING DEVELOPMENT PROGRESS:**

This review addresses key factors such as economic conditions, policy interventions, and regulatory barriers that influence housing starts and development processes in the city. This community research project aims to provide a detailed examination of how municipal policies influence residential construction in Peterborough. By analyzing the specific barriers and facilitators within the local context and understanding the impact of these factors on housing security.

### **Economic Factors and Policy Interventions**

Economic factors, including market demand and affordability, are central to understanding housing starts. According to PKHBA data, housing starts in Peterborough have consistently fallen

short of targets set by the provincial government. In June 2022, foundations were laid for only 39 single-family homes, with just 27 within the city limits (PKHBA, 2022). By mid-2023, only 112 new homes had been completed, representing just over 12% of the annual target (Global News, 2023). The Municipal Housing Pledge addresses these gaps by prioritizing efficiency in planning and development, with an emphasis on aligning housing supply with rising demand (City of Peterborough, 2023). As highlighted in studies of housing policy in Ontario, provincial initiatives like the Building Faster Fund are vital in providing municipalities with the financial resources needed to meet construction goals (City of Peterborough, 2023).

### **Housing Starts and Policy Impact**

Housing starts are a critical indicator of the effectiveness of municipal policies in addressing housing demand. Despite efforts to boost construction, Peterborough has struggled to meet its housing targets. Research on municipal housing strategies suggests that streamlined regulatory frameworks and targeted policy interventions can significantly improve housing outcomes (North Stormont, n.d.). Peterborough's commitment to its Municipal Housing Pledge underscores the importance of coordinated efforts between municipal, provincial, and private sector stakeholders to overcome the challenges in housing development. By reducing bottlenecks in the approval process and revising the financial burdens placed on developers, Peterborough aims to align housing starts more closely with its growing population needs (City of Peterborough, 2023).

## **Building Permits and Regulatory Challenges**

The building permit approval process is another critical factor influencing housing development. In Peterborough, delays in permit approvals have been identified as a major bottleneck in meeting housing demand. The PKHBA (n.d.) has reported significant backlogs in the processing of permits, slowing down the construction of new housing units. Such delays not only hinder housing starts but also contribute to housing insecurity by exacerbating supply shortages. To address these issues, Peterborough's Municipal Housing Pledge includes reforms to streamline the permit approval process. The city aims to reduce approval timelines while ensuring compliance with the Ontario Building Code and local safety standards (City of Peterborough, 2023). These reforms are critical for accelerating housing development and mitigating the regulatory barriers that slow down residential construction.

The city's attempts to control housing demand and promote economic development are reflected in the granting of building licenses. In line with population growth and housing demand, residential building permits have been gradually rising over the past ten years. Increased demand and the relaxation of COVID-19 restrictions led to a significant increase in permit issuance after 2020, according to the planning department of the City of Peterborough. Due to provincial efforts to increase the supply of housing, residential permits made up about 60% of all permits in 2022 alone (City of Peterborough, 2023). Permits for multi-unit residences have increased in addition to single-family homes, encouraging a wider range of housing options to accommodate inhabitants' diverse demands. With a focus on mixed-use zoning that blends residential and commercial spaces, Peterborough's move toward multi-unit complexes is in line with the city's objectives for sustainable urban expansion and densification.

Several variables impact the issue of building permits and represent fundamental dynamics in the construction of dwellings. Interest rates and building expenses are two economic factors that have a big impact on developers' willingness to start projects. Low interest rates, for instance, make housing projects more financially viable and raise the demand for permits. However, current Canadian real estate patterns show that inflation and high interest rates discourage the construction of new home buildings. The goal of policies like Ontario's 2022 introduction of Bill 23, or the "More Homes Built Faster Act," is to increase the supply of housing by lowering costs and expediting the developer permitting process. This legislation encourages local governments to reduce barriers to development approval, facilitating permit issuance for developers and addressing the housing shortfall (Government of Ontario, 2022). Pressure to increase the housing supply is brought on by the rapid population expansion. Permit demand has been significantly impacted by Ontario's population increase, which is primarily due to urbanization and migration, as additional housing is needed to accommodate the newcomers. According to Canada Mortgage and Housing Corporation (2023), this association is especially noticeable in cities like Peterborough, where rapid growth has resulted in a notable rise in permit applications to satisfy residential demand.

### **Development Charges and Housing Affordability**

Development charges (DCs) are levied on new construction projects to fund public infrastructure such as roads, water systems, and schools (PKHBA, n.d.). While these charges are necessary for sustaining municipal services, they have become a point of contention for developers in Peterborough. High DCs can significantly increase the overall cost of development, making it challenging to build affordable housing. The PKHBA has advocated for a reduction in these

charges, particularly for low-income housing projects, to stimulate more development (PKHBA, n.d.). The Municipal Housing Pledge addresses this concern by proposing reforms to the DC structure, aiming to reduce costs for developers. By utilizing provincial funding programs, such as the Building Faster Fund, the city hopes to offset the infrastructure costs traditionally covered by DCs, thereby promoting more affordable housing starts (City of Peterborough, 2023).

Peterborough's housing market faces multiple challenges, from regulatory delays to high development costs. However, the Municipal Housing Pledge, in collaboration with the provincial government and local stakeholders like the PKHBA, represents a concerted effort to address these issues. By streamlining housing starts, improving the building permit process, and reforming development charges, the city is taking significant steps toward solving its housing crisis. Continued cooperation between municipal authorities, developers, and provincial partners will be essential to meet the city's ambitious housing targets and promote long-term housing affordability.

## **COMPARING DEVELOPMENT CHARGES AND BUILDING PERMIT CHARGES FOR SINGLE DETACHED/ SEMI DETACHED DUPLEXES:**

REGION	DEVELOPMENT CHARGES	BUILDING PERMIT FEES
DURHAM	\$86,095	\$155+ 1.12% of estimated construction value (OSHAWA)
<b>PETERBOROUGH</b>	<b>\$13,502</b>	<b>\$125+ \$27.45/m<sup>2</sup> of gross floor area min. \$225</b>
HASTINGS COUNTY	\$13,065	\$165.38+ \$ 1.10 per sq. ft
TRENT LAKES	\$8,146	\$287+ \$0.41 per sq. ft
MUSKOKA	\$5330	\$1.55 per sq. ft. of finished floor area or \$200.00 whichever is greater
NORTHUMBERLAND	\$2,931	-

For comparison purposes data was obtained from official websites of the different regions in Ontario to compare development charges and building permit fees with that of Peterborough region. Despite being a region with a significantly higher housing shortage, Peterborough charges development charges more than other such regions. Higher development charges

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