

Report to Planning and Environment Committee

To: Chair and Members
Planning & Environment Committee

From: George Kotsifas, P. Eng.
Managing Director, Development & Compliance Services &
Chief Building Official

Subject: Housing Supply: Defining Permit Ready Lots

Meeting on: June 17, 2019

Recommendation

That, on the recommendation of the Director, Development Services, the following actions be taken:

- a) this report outlining the output and analysis reviewed as part of the Permit Ready Lot Working Group **BE RECEIVED** for information; and,
- b) Civic Administration **BE DIRECTED** to prepare an Annual Development Report as an information and monitoring tool, summarizing development metrics for the previous year, forecasts of near-term growth and progress regarding continuous improvement initiatives, it being noted that the first Annual Development Report will be published by the end of the first quarter of 2020.

Executive Summary

Over the past few years, members of the development industry (landowners and builders) have raised the issue of 'Permit Ready Lot' (PRL) availability through the annual Growth Management Implementation Strategy (GMIS) review. Although considerable infrastructure investments have been made, or are planned to be made in the near term, stakeholders expressed concerns that the city's supply of building lots for the construction of new homes is lower than it should be. A tight housing market can impact the amount of choice available to new homebuyers, opportunities for lots to be acquired by homebuilders, and potentially housing prices. These concerns have prompted a more in-depth review of the City's housing supply than has been undertaken in the past.

Following the adoption of the 2019 GMIS by Council in May 2018, Development Services staff have been working together with the local Development Industry and Home Builders in a Permit Ready Lot Working Group (PRLWG). The working group's main goal is to develop a common understanding of lot supply and how it can be measured.

The review has three major milestones:

- Step 1: Confirm Process and Baseline Assumptions
- Step 2: Establish Performance Measures
- Step 3: Develop a Regular Reporting Template and Format

Staff are recommending the publication of an Annual Development Report within the first quarter of each year. The Report will provide information on development metrics for the previous year, forecasts of near-term growth and progress regarding continuous improvement initiatives.

Background

For the development industry, 'Permit Ready Lots' represent lots that have been created, serviced and a building permit can be issued to construct a new dwelling. However depending on the individual developer and/or home builder's business plans, the timing of when these are "counted" varies. In response to this, City Staff proposed a working group made up of members of the London Development Institute (LDI) and the London Home

Builders' Association (LHBA) to help outline and identify how and when these units should be measured.

The key message to the community and development industry is that tracking PRL's and establishing a reporting mechanism are a priority for the City, but establishing performance measures based on the system in place is challenging. Previous reports provided through the GMIS process were ad-hoc and required that Staff manually develop the reports when requested. As such, Staff are of the view that the most important output of a PRL Working Group is to establish a common understanding and definition of PRL's, development performance measures, and standardize reporting to enable development proponents to identify when and where PRL's can be expected to be made available to the market over the near-term (1-3 years).

Aligning GMIS with Permit Ready Lots

The GMIS process creates future opportunity for development by providing major external services such as sanitary trunks, watermains, and stormwater management facilities. Each year, the City-led infrastructure projects listed in the GMIS are reviewed to determine if the planned construction year is still appropriate. Depending on levels of revenue being collected from Development Charges (DCs) and anticipated demand for new development, projects are moved forward or put off to a later date. This allows the City to budget for infrastructure costs during the yearly budget process in a fiscally prudent manner.

For lands where major external services are available, or are timed by GMIS to have major external services available over the next 3-5 years, owners can submit *Planning Act* applications to develop these lands. Application review processes are subject to policy/regulatory analysis, public participation and compliance with technical standards to ensure that provincial interests and local planning matters are satisfied. The outcome of these processes result in the creation of serviced, separate 'permit ready' lots for sale or development where building permits can be issued and new dwellings can be constructed.

The GMIS creates the context for new growth opportunities, but the development approvals process and landowner actions are what informs the amount and timing of new PRLs being brought to the market.

Permit Ready Lot Working Group

To identify how and when these 'permit ready' lots should be measured, a Permit Ready Lot Working Group (PRLWG) was initiated in May 2018 consisting of stakeholders from the development and building industry and City staff. The PRLWG is focused on activities related to development applications and the availability of building permits over a 2-3 year range. The scope of the Working Group was the following:

- Establishing definitions as the basis for measurement;
- Analysis of supply based on development status and point in the application review process;
- Focused on Greenfield Areas;
- Low Density Residential (LDR) and Medium Density Residential (MDR) data; and
- Developing the ability to incorporate PRL's into GMIS growth monitoring.

The PRLWG also engaged in a discussion on what is beyond the scope of the review. It was agreed the focus will be on Greenfield Area lands as that is where Plans of Subdivision are generally created. Furthermore, growth forecasts and discussions on Urban Growth Boundary expansions are considered outside of this working group. Finally, LDI and LHBA also agreed that the working group would not be assessing approval process timelines, recognizing that continuous improvement initiatives are currently underway.

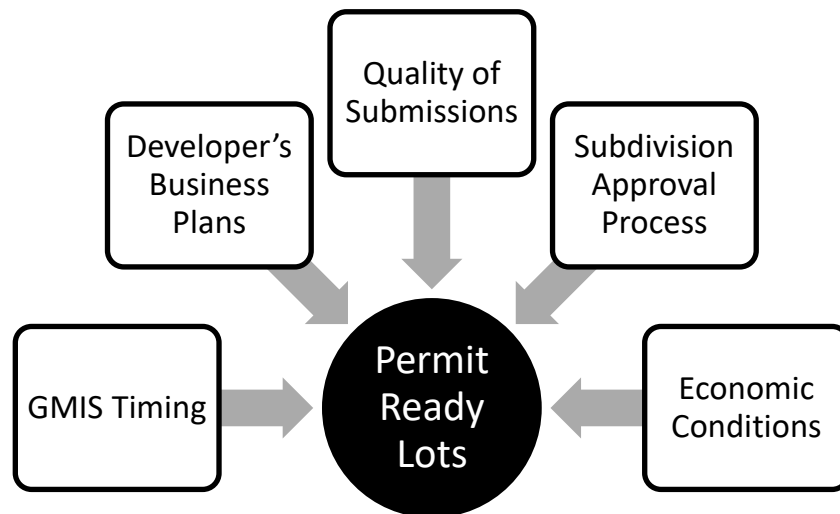
At the outset of the process, three major milestones were identified for which the group needed to build consensus prior to moving on to the next step.

- Step 1: Confirm Process and Baseline Assumptions

- Step 2: Establish Performance Measures
- Step 3: Develop a Regular Reporting Template and Format

Step 1: Confirm Process and Baseline Assumptions

Following the establishment of the Working Group, the group has met on several occasions to discuss a range of components that could inform the process and provide for baseline assumption. The group agreed that there are five main factors that affect the ability to produce a permit-ready building lot:



1. **GMIS Timing** - The timing of enabling City-led infrastructure is managed through the annual GMIS process, which includes significant stakeholder engagement.
2. **Developer's Business Plan** – Submitting development applications that take advantage of GMIS infrastructure investments is in the hands of each individual land owner. Decisions on application timing, product, scope and phasing of development for each parcel are based on an owner's independent analysis and decision making.
3. **Quality of Submissions** – With most applications, City-staff are able to address the site-specific development issues and move the concept through to an approval. In some cases, the quality of submissions is a challenge as the lack the details required for City-staff and third party approval agencies to make decisions delays the approvals and impacts the timing of lot availability.
4. **Subdivision Approval Process** – the entire Subdivision approval process was reviewed and overhauled in 2017 and 2018 by a stakeholder group consisting of the development industry and key Development Services staff.
5. **Economic Conditions** – The timing and availability of lots can be impacted by external market forces beyond the control of the City and the development community.

Table 1: Available Data Sources

Vacant Land Inventory Model (VLI)	An annual city-wide inventory of London's vacant land supply. Identifies unit counts by unit type (LDR/MDR/HDR) for vacant lands based on development approvals, formal development proposals and assumed densities for lands with no applications.
GMIS Growth Model	High level estimates of future annual registered lot supply and permit counts, based on discussions with development stakeholders. Used for long-range infrastructure modelling (i.e. 3-10 year outlook).
Geodatabase	Data repository related to all City infrastructure, planning information, property information, etc.
AMANDA	Active property based data used to track by-law, permit and other specific information related to a property within the city.

Following reviews of the various inputs to PRL, City-staff spent some time highlighting the available data sources. Through the use of the geodatabase and AMANDA, City-staff are building reporting models necessary to understand growth within the Urban Growth Boundary. It was agreed that the Vacant Land Inventory model, which tracks land supply by type, would be the output source of data from which to track PRL.

Definitions and Categories

The data sources, definitions and categories were presented to and reviewed by the PRLWG. Through these categories, it is recognized that both the City and the development industry have a hand in moving applications through the stages of approvals and construction. Consensus on these definitions and present timeline estimates (versus targets) was established by the PRLWG.

The next step in the discussion was to establish a common understanding and definition related to the timing and scope of available lots. To respond to PRLWG concerns with permit ready lot availability, Staff have developed an approach to identify the current and emerging supply of Low Density residential (LDR) and Medium Density residential (MDR) units. In anticipation of establishing performance measures, the approach categorizes supply into four categories as identified in Table 2.

Table 2: Development Categories and Timing

Category	Subdivision Approval Process	Time in Years ¹	Definition
Unknown	No Application	4.0	Developable land
Future Opportunity	Under Review	3.0	Under review, draft approved, Site Plan consultation
	Draft Approved	2.5	
On The Market	Subdivision Agreement	1.0	Subdivision agreement, Site Plan application, final approval without clearance
	Final Approval Clearance not granted	1.0 - 0.1	
Permit Ready	Final Approval Clearance granted	Today	Final approval granted, Site Plan agreement in place

¹ "Time in Years" reflects the amount of time anticipated before Permit Ready Lots are available

The **Unknown** category includes lands where the owner has not submitted a development application. For these lands, it is assumed that the earliest they could be developed into permit ready lots would be four years. This accounts for the time needed to prepare the necessary reports and studies for a complete application, followed by the required application process steps. Until the City has a complete application, Staff have no ability to encourage, track or address issues related to a piece of developable land. However, through the published GMIS materials, lands are identified that have external services in place, but have not been subject to a development application.

The **Future Opportunity** category reflects development applications that have been submitted and are Under Review or have received Draft Approval. The times noted recognize *Planning Act* requirements for applications (6-months for a decision on Draft Plan Applications) as well as the approximate 18-month timeline to move through technical report and engineering drawing reviews to a completed subdivision agreement.

The **On The Market** category includes lands where a subdivision agreement is in place, but the conditions of the agreement have not been fully cleared. For this category, it is assumed that these lands will become available as permit ready lots within 12 months.

The **Permit Ready** category reflects lots where services have been constructed, conditions have been cleared and a Building Permit can be issued.

Step 2: Establish Performance Measures

To understand historic trends and provide a means to assess and establish future performance measures, Staff have compiled data that reflect existing unit counts for each category as of January 1st of each year between 2015 and 2019. Only Future Opportunity, On The Market and Permit Ready counts are provided as these categories reflect units advancing to Permit Ready status through active planning applications; the Unknown category is excluded as these lands have no planning application that are advancing units to Permit Ready status.

Table 3: 2015-2019 LDR Lots (Single Detached/Semi-Detached) by Category

	2015	2016	2017	2018	2019
Future Opportunity	6,641	6,443	5,062	5,116	4,687
On The Market	528	630	950	965	1,031
Permit Ready Lot	1,171	823	1,046	803	1,043

Table 4: 2015-2019 MDR Blocks (Rowhouse/Townhouse) by Category

	2015	2016	2017	2018	2019
Future Opportunity	12,964	12,249	12,025	11,324	11,256
On The Market	924	576	578	1,012	1,061
Permit Ready Lot	590	976	747	743	682

These tables have been presented to the PRLWG and the group has some discussion on what the goals of the performance measures should be. Recognizing that there are many municipal benchmarking initiatives, City-staff have an interest in developing a measure that is actionable and is not a repetition of other tracking currently underway in other areas of the Corporation. If appropriate, the PRL numbers could inform business decisions by the Development Industry and the City by:

- using current lot supply by category to anticipate near-term (1-3 year) future PRL supply;
- assessing Developer, Home Builder and the City’s effectiveness in moving applications through the process;
- establishing targets for permit ready supply of single family homes and townhouses;
- providing data for Development Services to make level of service and resource allocation decisions;
- providing information for the development industry to make business decisions; and,
- monitoring broader land supply policy/system implications.

To date, Staff and the PRLWG have discussed options for PRL metrics and methodologies. Refinement and further analysis is required before implementation. Draft metrics include the following parameters:

- establishing appropriate targets for Future Opportunity, On the Market and Permit Ready units;
- examination of near-term availability and opportunity with market absorption;
- assessment of conversion of designated land to applications; and,
- an understanding of historic activity relative to current activity.

Finalization of metrics and methodologies will occur in the coming months in order to be reflected in future reports.

Step 3: Develop a Regular Reporting Template and Format

At present, the City lacks a reporting “vehicle” to communicate development statistics and progress on continuous improvement initiatives that are improving development review processes. Although the annual GMIS Update does provide high-level growth information, the focus is on medium-to-long range infrastructure planning. Staff are therefore recommending that an Annual Development Report be created and published each year.

The Annual Development Report is anticipated to include the following:

- forecasted housing demand;
- raw data on vacant land supply by type for GMIS areas;
- current and estimated future Permit Ready supply of single family and townhouse units;
- Permit Ready performance metrics;
- residential building permits issued for the previous year and by location (greenfield and built area/intensification);
- a summary of major growth-related infrastructure investments; and,
- updates on process-based continuous improvement initiatives.

Although a general framework for the Annual Development Report has been examined, several components of the report are still being prepared. Staff will be able to publish the initial Report within the first quarter of 2020.

Next Steps

Permit Ready Lots Working Group:

Development Services staff reconvene the PRLWG to work through the details of Step 2 (Establish Performance Measures). The intention will be to develop a consistent approach to reporting in order to complete Step 3 (Develop a Regular Reporting Template and Format).

Development Services Future State:

As noted in the Background section of this report, the current reporting process is ad-hoc and requires the compilation of various sources of data into a format that can be used to measure performance. Development Services is in the process of developing a Multi-Year Budget Strategic Initiative Business Case to resource and develop a Digital Planning Application Tracking System. The proposal is to build and develop an open system for use by Development and Compliance Services, Environmental and Engineering Services and City Planning for workflow management and as a repository for application comments. This capability will result in better decisions due to the availability of more accurate and in-depth information.

Although very early in the process, at a conceptual level some of the intended outputs of the digital system may include:

- Providing the capability for sophisticated business intelligence analysis and enable reporting across the Corporation while minimizing the duplication of employee data in other systems.
- Creating tools for data entry into the system for typical processes which include the following benefits:
 - more consistent and trustworthy data (fewer errors);
 - less paperwork, which reduces the need to house hard copies saving physical space for filing systems (i.e., potential to store both hard copies and digital copies of legal files);
 - reduced workload on current resources since automated processes take less time; and,
 - deliver a better user experience for all stakeholders.

A key goal of the project will be to leverage the abilities of existing systems and build on the technology investments already made throughout the Corporation.

Conclusion

The Permit Ready Lot Working Group has broken permit ready lots up into four categories which can be tracked on a year-over-year basis and will be incorporated into an Annual Development Report:

- No Application – 4-years to complete pre-application studies, gain development approval, construct servicing and apply for a building permit.
- Future Opportunity – 3-years to gain development approval, construct servicing and apply for a building permit.
- On The Market – 1.0 year to construct servicing and apply for the building permit.
- Permit Ready – Lot is able to pull a building permit.

City staff will continue to work with the Development Industry to refine the performance measures and reporting template through the Permit Ready Lot Working Group.

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