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THOUSANDS OF HOUSING UNITS OBSTRUCTED BY THE CITY OF MONTREAL

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Since the election of the current administration in 2017, the construction of tens of thousands of housing units has been blocked or delayed in Montreal, thereby substantially restricting the supply of housing. In the current context of shortage, this approach is particularly harmful for the city's population, including the less well-off. If these real estate projects had been allowed to be built and had been completed, they would have increased the supply of housing considerably, thus improving affordability, which is one of the City of Montreal's priorities.

OBSTRUCTED UNITS EQUIVALENT TO HALF OF HOUSING STARTS

A survey of housing projects that were either blocked, delayed, or reduced in scope (number of units) since 2017 shows the effect of the current Montreal administration's counterproductive housing approach. According to a prudent estimate,¹ no fewer than 23,760 units were blocked or delayed in the city (see Table 1).

One emblematic case of such blockages is the sixth tower of the Square Children's real estate project, in which the municipality, following a disagreement with the developer, decided to reduce its allowable height from 61 metres to 12 metres. In other words, the City blocked the project by making it unviable through regulatory means, and did so against the recommendation of the Office de consultation publique de Montréal.²



Other real estate projects have also been reduced in scope. For instance, there is the Bridge-Bonaventure residential project, which initially included up to 15,000 units in the version presented by developers, but which was cut nearly in half, down to 7,600 units, following a City decision.³

More broadly, the total number of stalled projects surveyed represents the equivalent of nearly 50% of total housing starts in the city of Montreal from 2017 to 2021.⁴ Such an approach is hard to justify in the context of the current housing shortage.⁵

AN APPROACH THAT UNDERMINES HOUSING AFFORDABILITY FOR THE LESS FORTUNATE

The facts are clear: Deliberately or not, City of Montreal policy obstructs the development of new real estate projects. This goes against one

Table 1

Housing units blocked or delayed in Montreal since 2017					
Projects	Initial units	Blocked	Delayed	Reduced number of units	Total units obstructed
Student housing – 3470 Avenue du Parc	30	30	0	0	30
Hickson-Dupuis – Verdun	2,000	1,750	0	0	1,750
Square Children's – Ville-Marie	180	180	0	0	180
Hippodrome – Blue Bonnets*	8,100	2,100	5,750	0	7,850
Bridge Bonaventure	15,000	0	0	7,400	7,400
Cap-Nature – Pierrefonds-Ouest	5,500	5,500	0	0	5,500
1001 Avenue des Canadiens-de-Montréal	300	300	0	0	300
Pointe Nord neighbourhood, Nuns' Island	3,700	0	0	750	750
Total	34,810	9,860	5,750	8,150	23,760

*The former Hippodrome Blue Bonnets project has been stuck in neutral for years, despite the desire to build thousands of housing units. The City in fact launched a call for tenders that was out of touch with the private sector, thereby delaying the start of a residential real estate project, as no proposals were submitted. Moreover, the current version of the City's project indicates 2,100 fewer housing units than initially promised.

Sources: Jeanne Corriveau, "Des promoteurs immobiliers accusent Montréal de ne pas les écouter," *Le Devoir*, April 11, 2022; André Dubuc, "Des chantiers sur pause malgré la pénurie," *La Presse*, December 2, 2022; André Dubuc, "Les phases finales chamboulées par la Ville de Montréal," *La Presse*, November 12, 2020; Zacharie Goudreault, "Grand parc de l'Ouest: les promoteurs de Cap-Nature lancent une poursuite de plus de 170 M\$," *Journal Métro*, September 24, 2019; Henri Ouellette-Vézina, "Un premier projet de logements '100 % abordables'," *La Presse*, August 22, 2022; Henri Ouellette Vézina, "Hippodrome: des organismes craignent une insuffisance de logement social," *Journal Métro*, October 30, 2019.

of its stated objectives, namely housing affordability. Even the building of new high-end units actually ends up benefiting the middle class and the less well-off in society through a displacement effect that is too often ignored in the housing debate.

Unrealized housing units undermine housing affordability because of the absence of what is called the "chain of displacement." This phenomenon results from the fact that the first move to the new high-end housing unit reverberates through a series of other moves. Less high-end units are freed up elsewhere, which makes units available for middle-class households; similarly, by moving, these households liberate units for others of more modest means, who also see supply in their neighbourhood increase indirectly.

Therefore, preventing the construction of even luxury or high-end housing units ends up having

a negative effect on the availability of housing in poorer neighbourhoods.

This transmission effect between the supply of luxury housing and the housing available for middle-class or low-income households was measured by a study carried out in several large American cities.⁶ This study found that the construction of 100 high-end units is associated with an increase of up to 45 units in neighbourhoods where the average income is below the median. For neighbourhoods where household income is in the bottom quintile, this increase in supply amounts to 17 housing units.

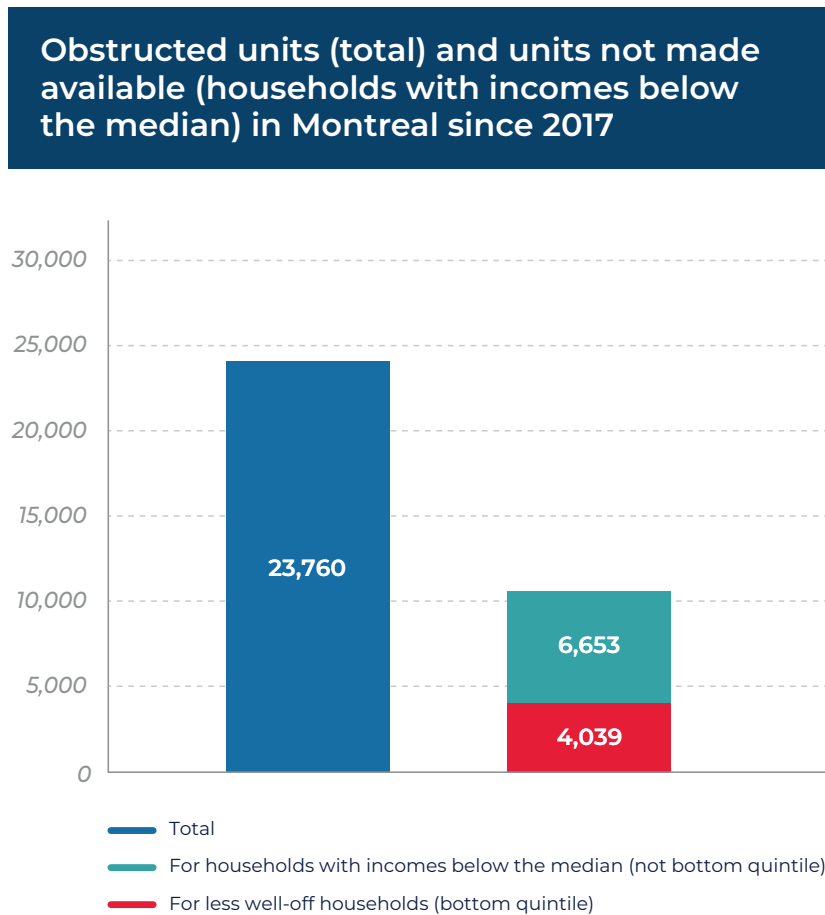
Even in the extreme case in which all 23,760 blocked housing units would have been in the high-end category, which is not actually the case, they could then have liberated 6,653 additional units for middle-class families.⁷ Nor do the positive repercussions of the chain of displacement

stop there, as less well-off households would also have benefited from an additional 4,039 available units (see Figure 1).

Montreal’s administration has to realize that by blocking or delaying these projects, it is thereby choosing to deprive many households in need of affordable housing. This is why it should avoid obstructing developers, and allow the housing supply to adjust.

In a context in which constructive actions are required to increase supply, why does the City not set up a public registry of all residential real estate projects submitted, blocked, delayed, or amputated? Therefore, City of Montreal policy-makers will be more transparent with the population.

Figure 1



Source: Author’s calculations. See Table 1.

REFERENCES

1. The survey was carried out for projects with available information. It is possible that certain projects were not accounted for, which makes it a prudent estimate.
2. Office de consultation publique de Montréal, Rapport de consultation publique : Tour 6 du Square Children, August 15, 2022.
3. Jeanne Corriveau, “Un potentiel de 7600 logements pour le secteur Bridge-Bonaventure,” *Le Devoir*, March 29, 2023; Jeanne Corriveau, “Des promoteurs immobiliers accusent Montréal de ne pas les écouter,” *Le Devoir*, April 11, 2022.
4. Author’s calculations. City of Montreal, Mises en chantier résidentielles, consulted June 19, 2023.
5. Celia Pinto Moreira, “Improving Housing Affordability in Montreal by Reducing Construction Regulation,” Economic Note, MEI, February 2023.
6. Evan Mast, “JUE Insight: The effect of new market-rate housing construction on the low-income housing market,” *Journal of Urban Economics*, Vol. 133, January 2023, p. 4.
7. These middle-class families have incomes below the median (but not in the bottom quintile). They are therefore not part of the upper middle class.



This Viewpoint was prepared by **Gabriel Giguère**, Public Policy Analyst at the MEI, in collaboration with **Elias Djabri**, Public Policy Analyst at the MEI. The MEI’s Regulation Series aims to examine the often unintended consequences for individuals and businesses of various laws and rules, in contrast with their stated goals.

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