

June 15, 2022

To:

Councillors Glen Gower, Scott Moffatt,
Co-chairs, Planning Committee

Matthew Luloff,
Chair, Community & Protective Services Committee

City of Ottawa
110 Laurier Avenue West
Ottawa, ON K1P1J1

Dear Members of the Planning Committee, Community and Protective Services Committee (CPSC), and Ottawa City Council

Re: Inclusionary Zoning Status Update

I am writing on behalf of the Right to Housing Ottawa Coalition (R2HOttawa). We are a coalition of service providers and housing advocates working together to advance the right to housing in the City of Ottawa. The Coalition emerged in response to the housing affordability and homelessness crisis, recognized as an emergency by Ottawa City Council in January 2020, and recognition of housing as a human right by the Government of Canada through the National Housing Strategy Act. The work of the Coalition is undertaken in coordination with other efforts to advance access to equitable and affordable housing in the City of Ottawa.

The City's exploration of an inclusionary zoning policy comes at a time when affordable housing options are increasingly out of reach for a wide cross-section of the city's population. Ottawa's lower income households are affected disproportionately. [For example](#), even as vacancy rates in purpose-built rental housing have remained at a reasonable 3.4%, only 15% of renters in the bottom 40% of the income range were paying affordable rents, spending no more than 30% of their income on housing. This means that Ottawa's rental housing market is providing higher income households with the housing they need, while putting at risk the housing stability of the city's most vulnerable residents along with many moderate-income households.

The Case for Inclusionary Zoning

Inclusionary zoning can help mitigate some of the risks to housing stability found in an unregulated housing market. Firstly, the policy can capture some of the value generated from development activity and redirect it towards affordable housing. This is justified because much of the increase in property value is not just driven by private finance but also by tax-payer funded investments in infrastructure and various other amenities that make a city like Ottawa an attractive place to live. It makes sense to commit some of the financial gains generated through such urban policy decisions for the public good.

Second, inclusionary zoning also slows down the skyrocketing prices of land, which in turn has a moderating effect on property prices. In an economically attractive city like Ottawa, developers and financial actors compete to purchase land based on speculation that housing prices will continue to rise.

However, this process can artificially inflate prices in a way that makes houses unaffordable for many. Inclusionary zoning signals that a cost will be imposed on such activities, in turn slowing the increase in land prices, which is a significant barrier to constructing affordable housing.

Recommendations

The design of the policy also matters. An evidence-based approach must be considered to ensure that a balance is struck between securing sustained investments in development and increasing the stock of affordable housing options. As a matter of principle, the policy should be applied as widely as feasible. We believe that more can be done through the policy to create affordable housing options.

Set-Aside Rates

The City must consider increasing set aside rates for purpose-built rental units and condominiums that are closer to what is proposed by its consultant's report. It appears the current recommendations have been especially sensitive to concerns about disincentivizing the development of much needed purpose-built rentals, and development in general through imposing a regulatory cost. This has meant that purpose-built rentals are effectively exempt from the policy in the immediate term, with little clarity over what the set-aside rates would be if such a requirement is introduced in the future. However, according to the City, its unpublished consultant report suggests that purpose-built rentals could absorb a 10% set-aside rate. The mismatch is also evident with condominiums. While the consultant report concludes that condominiums would remain financially viable with 15% set aside rates, the City's concerns around market volatility have resulted in lowered set-aside rates.

While the concerns around market conditions and technical barriers to developing purpose-built rentals are noted, other critical factors have been overlooked. Specifically, construction of purpose-built rentals has [in fact](#) been increasing over the last few years across the country without any incentives because there is demand for these units. In general, the demands of a rapidly growing population will continue to be a strong draw for real estate investments, compared to the moments of pause and concerns that stem from rising interest rates and other changes in market dynamics. In a housing market as lucrative as Ottawa's, the development sector will continue to build housing. We therefore recommend that housing affordability be prioritized over concerns about the slowdown in building housing in City of Ottawa's inclusionary policy. [In fact](#), meta-analyses of the policy suggest that inclusionary zoning rarely ever reduces the supply of new housing in a hot market like Ottawa.

Period of Affordability

The period of affordability for purpose-built rentals can also be increased. In the event that purpose-built rentals are subject to inclusionary zoning, the City is currently proposing a tentative approach by restricting the period of affordability to 25 years. The rationale for this is due, in part, to the financial viability associated with maintaining older buildings. The problem with this approach, however, is that after 25 years those affordable housing options will be lost, rendering the longer-term potential of the inclusionary zoning policy redundant. The City should therefore invest more time in developing creative asset management strategies and partnership models with affordable housing providers who have expertise and a stake in keeping housing affordable in the long term. To some extent, more public funding and incentives may be needed at regular intervals to help cover the costs of maintaining older buildings.

Definition of Affordability and Beneficiaries

The policy should ensure that affordable housing options are made available to its intended beneficiaries. The City has proposed a definition of affordability that is in line with what many other jurisdictions across the province have also been adopting or proposing. The recommendation to adopt the lesser of an income or market-based measure integrates a degree of adaptiveness and flexibility to changing market conditions.

However, we encourage the City to go further – as it has contemplated doing – by exploring how additional supports and investments can create deeply affordable housing options. It is also important to monitor the extent to which the policy on its own is creating affordable housing options for the city's low- to moderate-income residents over the long haul. This is necessary because the incentive will remain for developers to consistently find ways to increase their profit margins.

Geographic Restrictions

The City should also demarcate Protected Metropolitan Transit Station Areas (PMTSAs) and apply the policy within these PMTSAs as expansively as possible. Provincial regulatory restrictions of the policy to PMTSAs goes against the principle of applying the policy as widely as possible. It is well worth contemplating working with other municipalities to lobby the province to remove this restriction. In the meantime, the City is hampering the effectiveness of inclusionary zoning if the policy is not applied in all areas that are legally possible. This is implementable relatively quickly and so should be addressed immediately.

Transparency

Finally, the City must release its third-party reports and any other studies as soon as they are published and moving forward, be more proactive in engaging as many stakeholders and communities as possible in the development and implementation of the inclusionary zoning policy. As of now, the approach the City has taken in formulating the policy has been unusual relative to the more consultative approach taken by cities such as Toronto.

Notably, the City has not yet released the feasibility analysis conducted by SHS Consulting and has not provided any rationale for withholding this information. Such provincially mandated studies, when published earlier, can give other stakeholders a clearer picture of the information being used by the City to arrive at its conclusions. Indeed, access to these studies would help us come up with more informed and specific recommendations related to crucial aspects of this policy such as set-aside rates and periods of affordability.

It is also evident that as much as the impetus for the policy stemmed from the need to create more affordable housing options, the specifics of the policy have since disproportionately incorporated the concerns of the development community. For example, the proposed transition period for inclusionary zoning to be introduced adds more time to the implementation of a policy that has been contemplated for many years. A more transparent discussion needs to be had about what it really takes for markets to prepare for the policy relative to the urgency of affordable housing need. On the latter, the voices of communities in need of affordable housing and housing advocates are critical.

In conclusion, an effective inclusionary zoning policy has the potential to increase the stock of affordable housing options primarily for moderate-income households but with additional supports, the benefits could be more far-reaching. To start with, it is important to effectively create the key elements of the policy– high set-aside rates, long periods of affordability and a process that is transparent and consultative. Indeed, a commitment to making full use of available policy tools and proactively engaging communities are key principles of the right to housing.

We look forward to providing more of our housing expertise and welcome further discussions with the City to ensure its housing initiatives are effective and rights-based.

Sincerely,

A handwritten signature in cursive script that reads "Sean Keddy". The signature is written in dark ink and is positioned above a horizontal line that serves as a separator between the signature and the typed name below.

Sean Keddy

On behalf of the Right to Housing Ottawa Coalition.