



Greater Ottawa Home Builders' Association  
Association des constructeurs d'habitations d'Ottawa

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The Hon. Steve Clark  
Ministry of Municipal Affairs and Housing  
777 Bay Street, 17th floor  
Toronto, Ontario M7A 2J3

**Re: ERO# 019-6173 Proposed Amendment to O. Reg 232/18: Inclusionary Zoning**

Dear Minister Clark,

Please accept the below from the Greater Ottawa Home Builders' Association (GOHBA) and its members as a submission to the government's request for feedback on Proposed Amendment to O. Reg 232/18: Inclusionary Zoning (ERO# 019-6173).

GOHBA supports the government's efforts to provide cost certainty and establish a more consistent approach to inclusionary zoning (IZ) requirements across the province.

It is also important that municipalities recognize that the provision of subsidized housing is a community-wide responsibility, not one for new home buyers or renters exclusively.

We provide comments and additional suggestions on ERO #019-6173's specific proposals below.

**(1) The proposed amendments to O. Reg 232/18 would establish an upper limit on the number of units that would be required to be set aside as affordable, set at 5% of the total number of units (or 5% of the total gross floor area of the total residential units, not including common areas).**

GOHBA supports limiting inclusionary zoning units in any given project to 5% as a good benchmark for any privately funded development. Having a defined maximum number of units that are be required to be set aside as affordable will help ensure that projects can appropriately budgeted, financed and remain economically viable.

However, we seek confirmation for the approach to the 5% upper limit, as 5% of the total number of units has a very different application versus 5% of the total Gross Floor Area. For example, if the building contains a commercial component then 5% of the units will likely be less than 5% of the total GFA (not equal to). It would help to clarify the policy if ***the upper limit of 5% was based on total "residential" GFA.***

Setting the upper limit at the lower of the two is recommended, as it will provide for consistency among different types of housing forms. For instance, inclusionary zoning in a 200-unit multi-storey building should necessarily be different from a 5-unit townhome.

We also note that without any offsets from municipalities, requiring IZ units will still have other new neighbours in the building covering the bill as the cost of the other residential units goes up to pay for these subsidized IZ units.

In our experience with the City of Ottawa, and other municipalities, municipalities neglect to consider the cost of providing IZ units. There is a major misconception that the profit margin on residential projects is so great that developers can simply build affordable housing without impacting the cost of other units. The reality is that development proceeds on a very slim margin of profit. It's not easy to find sites and projects that make any sort of financial sense. More often than not they don't in which case development does not proceed. This is apparent by the vacant land that exists within current urban boundaries.

There is no such thing as affordable concrete, affordable lumber or affordable labour - and these costs are continually increasing. The reality is that there are very real costs associated with building mandated IZ units and providing them at below market costs for a period of time. The cost of maintaining rent below market must be accounted for over the required period. .

IZ will not create free affordable housing units. The unaccounted-for cost requirements will, in turn, be passed onto the other purchasers or tenants in the development through higher purchase prices or rents. The reality is that someone must pay. Without appropriate incentives and offsets, inclusionary zoning is a tax on new housing.

GOHBA supports the use of IZ when it includes a partnership model (i.e. offsets or incentives to the proponent providing the IZ residential units) as a planning tool to help enable municipalities to secure affordable housing and not burden a development project so as to render it financially unfeasible (which means it will not proceed). This is in keeping with the basic premise of IZ, namely that it is a partnership between developers, builders and municipalities to encourage the building of affordable housing units that would not otherwise be built.

In this partnership model, an equitable agreement or policy framework should be put in place between the building industry and municipalities. In exchange for building these units to sell or rent for below-market rates, builders and developers are provided with incentives or concessions that help offset the costs. The recent changes to the Planning Act exempting the requirement to provide parkland or community benefit charges are a good start. Other examples of incentives could include waiving development charges for a pro-rata share of the units to cover the cost of constructing, and renting if applicable, the IZ units. Eliminating the requirement to provide parking is another small step that is of assistance.

GOHBA would be pleased to further discuss what other incentives could be offered.

**(2) It would also establish a maximum period of twenty-five (25) years over which the affordable housing units would be required to remain affordable.**

GOHBA supports including a maximum period over which inclusionary zoning units must remain affordable as this will create more consistency in inclusionary zoning frameworks between different municipalities.

The proposed length is consistent with the higher end of typical mortgage amortization periods in Canada.

Given the proposed length of time for the maximum period, it will be critical that the approach for determining lowest price or rent for inclusionary zoning units takes into account changing market conditions. Failing to do so would likely affect the economic feasibility of such projects.

It would also be helpful if the Regulation expressly provides for a mechanism for units to be removed from this regime prior to the expiry of the 25-year period. This would address an issue in other contexts (such as subsidy agreements from the prior provincial regime related to affordable housing), where affordable housing providers run into challenges in being able to continue to operate, when the conditions drastically change.

**(3) Amendments would also prescribe the approach to determining the lowest price/rent that can be required for inclusionary zoning units, set at 80% of the average resale purchase price of ownership units or 80% of the average market rent (AMR) for rental units.**

GOHBA supports a standardized approach to determining the price or rent of an affordable unit under an inclusionary zoning program. The proposed amendments to the Regulations, setting this at 80% of the average resale purchase price of ownership units, or 80% of the average market rent for rental units, is consistent with the definition of affordable unit as introduced in Bill 23.

We recommend that the Regulation must recognize that the average market price will vary across the province and it may even vary across different locations within a municipality. Similarly, it is important that the average market price of an inclusionary zoning unit be updated annually to reflect changing market conditions.

**(4) IZ will only apply on lands within PMTSAs.**

GOHBA supports limiting IZ units to PMTSAs, as long as this continues to be paired with provisions under ERO #019-6172 (Providing Greater Cost Certainty for Municipal Development-related Charges) that prevent “layering” of DCs, parkland and CBC on top of projects required to have IZ units:

*To incent the supply of more affordable housing, affordable ownership and rental housing units, affordable housing units in a development subject to inclusionary*

*zoning, as well as non-profit housing developments would be exempt from development charges, community benefits charges and parkland dedication requirements.*

PMTSAs are the areas that will be the focus of taller buildings that will typically fall under Community Benefits Charge policies. Finally, the area around Transit Stations is where the City of Ottawa is hoping to focus the creation of the majority of the one and two bedroom apartments it hopes to see built over the next 25 years, which will also be the most affordable new housing that's built.

It is critical to ensure that the burden of IZ and CBC policies don't build on top of each other to make it extremely challenging to provide affordable housing for the targeted percentile.

GOHBA also relies on its comments provided in regard to ERO 019-6163 in regards to PMTSA and other transit areas. Briefly, summarized, Ottawa has considered removing the PMTSA designation, or not applying it, in order to still collect parkland and community benefit charges. This is a circumvention of the intention of the legislation, in GOHBA's opinion.

### **Enhancing the Proposed Regulation**

To further enhance the policy framework for inclusionary zoning, the final regulations could include a mechanism to credit proponents who provide an additional supply of IZ units. For example, if a proponent builds more than 5% IZ units in one development, they should be able to off-set the over contribution to a lower requirement in a second (future) phase or project.

***GOHBA suggests a reconsideration of Planning Act section 35.2(6) that currently does not permit a cash-in-lieu payment in lieu of providing IZ units.*** A proponent should also be able to contribute cash-in-lieu or land to a municipal non-profit entity so it may be used to provide affordable housing at a location of its choice. There are instances where it might be more advantageous for the municipality to accept a payment-in-lieu and then use the funds at another location. This is not much different than a cash-in-lieu of parkland payment. For example, if a proponent donates 2 acres to a non-profit housing provider (could be a government entity) the proponent should be able to attach a market value to that land, and then use that value as a credit for another IZ obligation in the same municipality. This same should apply if cash is given to a non-profit housing provided to be used in the same municipality.

In most cases non-profit organizations have the ability to deliver a much better (and targeted) housing project then doing it piecemeal in every building. It would also support a sustainable model for operating and maintenance of these IZ units, through the non-profit housing entity, that might be too onerous for a typical condo board.

Accordingly, ***section 35.2(6) should be removed from the Planning Act.***

## Transition Provisions

No information has yet been released in regards to transition provisions for the proposed amendments under the Regulation. There will be an impact on municipalities who have already developed inclusionary zoning frameworks, and are required to update their official plan policies and zoning by-laws accordingly.

GOHBA recommends that clear transition provisions are provided in the Regulation to indicate the new policies apply immediately rather than wait for municipalities to update the IZ instruments into compliance.

Thank you for the opportunity to provide comments on this issue.

We are pleased to answer questions or provide further information as requested.

Sincerely,



Jason Burggraaf  
Executive Director