

**Subject: Office-to-Residential Conversions**

**File Number: ACS2023-PRE-GEN-0010**

**Report to Planning and Housing Committee on 1 November 2023**

**and Council 8 November 2023**

**Submitted on October 13, 2023 by Charmaine Forgie, Manager, Business and Technical Support Services, Planning, Real Estate and Economic Development Department**

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**Ward: City Wide**

**Objet : Conversion d'immeubles de bureaux en immeubles résidentiels**

**Dossier : ACS2023-PRE-GEN-0010**

**Rapport au Comité de la planification et du logement**

**le 1er novembre 2023**

**et au Conseil le 8 novembre 2023**

**Soumis le 13 octobre 2023 par Charmaine Forgie, Gestionnaire, Services de soutien techniques et aux activités, Services de la planification, des biens immobiliers et du développement économique**

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**Quartier : À l'échelle de la ville**

## **REPORT RECOMMENDATIONS**

**That Planning and Housing Committee recommend Council:**

- 1. Approve that, where a development application for Office-to-Residential Conversion requires both an Official Plan Amendment (OPA) and a Zoning By-law Amendment (ZBLA), and where the application is supported by Staff, the Official Plan Amendment portion of the Planning Application Fee be waived.**
- 2. Approve the inclusion of an amendment to Zoning By-law 2008-250, as shown in Document 1, in the Q1 2024 Omnibus Zoning By-law Amendment Report to provide flexibility for Office-to-Residential Conversions by:**
  - a. carrying forward the performance standards of the existing portion of the building; and**
  - b. providing flexibility on how the amenity space requirement can be provided on site.**
- 3. Receive an update on the Site Plan Control process for Office-to-Residential Conversions with no additions or new storeys, which would benefit from a scoped material and information list and be charged a “Standard Site Plan Control” fee.**
- 4. Direct the General Manager of Planning, Real Estate and Economic Development to send a letter to the Ministry of the Environment, Conservation and Parks, copying the Minister of Municipal Affairs and Housing and the Minister of Red Tape Reduction, expressing support for the Province to re-examine the exemption requirement for a Record of Site Condition to support Office-to-Residential Conversions, to assist municipalities with meeting their Housing Pledge targets.**
- 5. Receive an update, detailed in this report, on Site Servicing for Office-to-Residential Conversions.**
- 6. Receive an update, detailed in this report, on the financial mechanism reviewed in the context of Office-to-Residential Conversions.**

## **RECOMMANDATIONS DU RAPPORT**

**Que le Comité de la planification et du logement recommande ce qui suit au Conseil :**

- 1. Approuver l'annulation des frais de modification du Plan officiel dans les cas où une demande d'aménagement pour la conversion de bureaux en logements exige à la fois une modification du Plan officiel (MPO) et une modification du Règlement de zonage (MRZ), si la demande est appuyée par le personnel.**
- 2. En vue de faciliter les conversions de bureaux en logements, approuver l'inclusion des modifications suivantes du Règlement de zonage (no 2008-250), décrites au document 1, dans le rapport sur les modifications d'ensemble du Règlement de zonage du premier trimestre de 2024 :**
  - a. reporter les normes de rendement de la partie existante du bâtiment;**
  - b. faire preuve de souplesse dans la manière dont est pourvu l'espace d'agrément sur place.**
- 3. Recevoir un compte rendu du processus d'approbation du plan d'implantation pour les conversions de bureaux en logements n'impliquant ni annexes ni étages supplémentaires, qui bénéficierait d'une liste délimitée de documents et de renseignements et auquel seraient associés des frais standard pour l'approbation du plan d'implantation.**
- 4. Demander au directeur général de la Planification, de l'Immobilier et du Développement économique d'envoyer une lettre au ministre de l'Environnement, de la Protection de la nature et des Parcs, adressée en copie conforme au ministre des Affaires municipales et du Logement et au ministre de la Réduction des formalités administratives, exprimant son appui au réexamen provincial des exigences pour une exemption inscrites au règlement sur les dossiers de l'état d'un site afin de faciliter les conversions de bureaux en logements et d'aider les municipalités à atteindre les cibles fixées dans le cadre de leur garantie du logement.**
- 5. Recevoir un compte rendu, selon les détails présentés dans ce rapport, sur le raccordement aux services publics des conversions de bureaux en logements.**

**6. Recevoir un compte rendu, selon les détails présentés dans ce rapport, sur les mécanismes de financement examinés dans le contexte des conversions de bureaux en logements.**

## **EXECUTIVE SUMMARY**

Office-to-Residential Conversion was identified as an opportunity to revitalize underused spaces, and contribute to meeting Ottawa's housing pledge target to encourage the construction of 151,000 new homes by 2031.

Staff were directed to form a cross-departmental team to:

- assist in streamlining the approvals process for office-to-residential conversions;
- review the possibility of reducing municipal fees on conversions of office buildings to residential buildings in the downtown core for projects where 20% of units are core affordable; and
- explore other operational and capital strategies, including potentially innovative models like acquisition programs that could facilitate the conversion of office-to-residential in the core.

The cross-departmental team has identified three areas for possible streamlining: content of review, timeline to approval, and cost to applicants, while also considering the affordable housing and the financial incentive components of the motion.

Staff also reached out to industry members who have recently completed such projects or intended on completing one in the coming years to collect feedback on their process concerns and potential mitigation ideas.

Six recommendations have been developed for Council's consideration, covering the various application types and matters of importance to support and streamline office-to-residential conversions.

The first recommendation speaks to waiving the fee for the rare occurrence where an official plan amendment would be required for an office-to-residential conversion.

The second recommendation introduces Zoning By-law Amendment language to be implemented in the Q1 2024 Omnibus Zoning By-law Amendment Report: the objective is to generally permit office-to-residential conversions where no new storeys or additions are proposed, and remove the need for existing buildings to apply for minor

variances or Zoning By-law Amendments so that their performance standards meet the requirement for the new use.

The third recommendation addresses the reduced materials and fee for Site Plan Control applications, where no new storeys or additions are proposed. A number of typically required materials will not be requested, instead focusing on the provincially mandated requirements, legal requirements, and ensure appropriate infrastructure is available to service the site.

The fourth recommendation looks to engage the province to review the Record of Site Condition exemptions regulation, given that industry stakeholders have raised this as a time and cost barrier for office-to-residential conversions. The provincial regulations does include some parameters for, in certain circumstances, buildings up to six storeys to be exempt from this requirement. The City recommends the province to revisit this threshold, and explore whether taller buildings could also benefit from an exemption.

The fifth recommendation speaks to confirming approaches for Stormwater management requirements for office-to-residential conversions, generating significant savings for applicants. This section also speaks to the expectations for information exchange at Phase 1 of pre-consultation as part of the development application process the applicant can confirm existing capacity in the infrastructure network, and commits the City to look at sanitary storage solutions as part of its review of the Sewer Design Guidelines.

Lastly, recommendation 6 speaks to the analysis of financial mechanism reviewed in the context of office-to-residential conversions, in the context of supporting affordable housing.

## **RÉSUMÉ**

Il a été établi que la conversion de bureaux en logements est une occasion de revitaliser des espaces inutilisés et de contribuer à l'atteinte de la cible fixée dans le cadre de la garantie municipale du logement visant à encourager la construction de 151 000 nouveaux logements d'ici 2031.

Le personnel a reçu la directive de former une équipe regroupant des membres de plusieurs directions générales afin :

- de contribuer à la simplification du processus d'approbation des conversions de bureaux en logements;

- d'évaluer la possibilité de réduire les frais municipaux de conversion d'immeubles de bureaux en immeubles résidentiels au centre-ville lorsque le projet comporte 20 % de logements abordables;
- d'explorer d'autres stratégies de fonctionnement et d'immobilisations, dont des modèles potentiellement novateurs, comme les programmes d'acquisition, susceptibles de faciliter la conversion de bureaux en logements au centre-ville.

L'équipe a cerné trois secteurs propices à la simplification : le contenu examiné, l'échéancier menant à l'approbation et les coûts pour le requérant, et a aussi tenu compte des éléments de la motion touchant au logement abordable et à l'incitatif financier.

Le personnel a aussi consulté des membres de l'industrie qui ont réalisé des projets semblables récemment, ou qui envisagent de le faire dans les prochaines années, pour recevoir leurs commentaires sur les défis du processus et leurs idées pour de potentielles solutions.

Six recommandations ont été formulées aux fins d'examen par le Conseil, sur les différents types de demandes et autres sujets importants, afin de faciliter et simplifier les conversions de bureaux en logements.

La première recommandation porte sur l'élimination des frais dans les rares cas où une modification du Plan officiel est nécessaire à la conversion de bureaux en logements.

La deuxième présente des modifications du *Règlement de zonage* à inscrire dans le rapport sur les modifications d'ensemble du *Règlement de zonage* du premier trimestre de 2024 : l'objectif global est de permettre la conversion de bureaux en logements quand aucun nouvel étage ni annexe n'est prévu, et d'éliminer l'obligation de demander une dérogation mineure ou une modification du *Règlement de zonage*, de manière à ce que les normes de rendement d'un immeuble existant puissent répondre aux exigences liées à son nouvel usage.

La troisième traite de la réduction des documents et frais pour une demande d'approbation du plan d'implantation dans les cas n'impliquant ni annexes ni étages supplémentaires. Certains documents habituellement exigés ne seront plus demandés, au profit des exigences provinciales et légales obligatoires, en veillant à ce que l'infrastructure sur place soit appropriée.

La quatrième vise à encourager le gouvernement provincial à examiner les exemptions inscrites au règlement sur les dossiers de l'état d'un site, étant donné que les principaux

acteurs de l'industrie ont relevé cet élément comme un frein augmentant le temps nécessaire et les coûts de conversion de bureaux en logements. La réglementation provinciale comprend des paramètres pour, dans certains cas, exempter des bâtiments d'un maximum de six étages. La Ville recommande que le gouvernement provincial repense cette limite et envisage la possibilité que de plus grands immeubles profitent de l'exemption.

La cinquième recommandation vise à clarifier les approches concernant les exigences en matière de gestion des eaux pluviales dans la conversion de bureaux en logements, approches qui entraîneront d'importantes économies pour le requérant. Cette section traite aussi des attentes quant à l'échange de renseignements à la phase 1 de la consultation préalable dans le cadre du processus de demande d'aménagement, où le requérant peut confirmer la capacité actuelle des infrastructures, et la Ville s'engage à envisager des solutions de retenue des eaux usées dans le cadre de son examen des lignes directrices de conception des égouts.

Enfin, la sixième recommandation porte sur l'analyse des mécanismes de financement examinés dans le contexte des conversions de bureaux en logements et du soutien au logement abordable.

## **BACKGROUND**

An office-to-residential conversion is a process of transforming a building that was previously used for commercial purposes and converting a portion or the entirety of the building for residential uses. This can help revitalize areas with high office vacancy rates, increase housing supply, and reduce carbon footprint.

On February 22, 2023, Council unanimously carried a motion directing staff to form a cross-departmental team to:

- assist in streamlining the approvals process for office-to-residential conversions;
- review the possibility of reducing municipal fees on conversions of office buildings to residential buildings in the downtown core for projects where 20% of units are core affordable; and
- explore other operational and capital strategies, including potentially innovative models like acquisition programs that could facilitate the conversion of office-to-residential in the core.

## Context of Office Vacancy in Ottawa

The Canadian Urbanism Institute (CUI)'s paper entitled "[The Case For Conversions](#)", published in April 2023, states that the healthy rate of office vacancies in a city is 10%, while the healthy rate of housing vacancies is 3%.

Colliers Research, in their [Q3 2023 Ottawa Office Market Report](#), earmarks Ottawa's office vacancy rate at 12.6. CBRE earmarks Ottawa's downtown office vacancy for [Q3 2023](#) at 14.2%.

[CMHC's Rental Market Report](#) of January 2023 earmarked Ottawa's residential vacancy rate at 2.1%. The CMHC report identified this was a decline from the rate posted in October 2021 (3.4%) and a return to pre-pandemic levels.

The market trend toward a higher office vacancy rate and a lower residential vacancy rate is expected to increase market viability for transitioning vacant or underused commercial properties toward rental housing, perhaps through office-to-conversion projects, or through demolition and reconstruction of new buildings.

Between 2013 and 2022, Ottawa has seen over 700 new residential units from Office-to-Residential Conversions, and over 900 units from non-residential to residential conversions (including conversion of places of worship and hotels). This occurred without any targeted streamlining efforts or additional financial incentive from the City.

## Context on Ottawa's Federal Government Office Space

On May 29, 2023, the deputy minister of Public Services and Procurement Canada (PSPC), stated at the Federal [Standing Committee on Government Operations and Estimates \(OGGO\)](#) that the government is renewing the city's 10-year plan for offices and taking into account the new hybrid work model. This means updating the government office space reduction target from 40 per cent to 50 per cent. It is estimated that PSPC holds about 3.8 million square metres in the Ottawa-Gatineau area.

PSPC recently released a [disposal list](#) of 10 properties for sale, including nine in Ottawa. These lands could be included in the [Federal Lands Initiative](#) (FLI), potential applicants can contact a CMHC Specialist to explore their project. The FLI is a program led by the Canada Mortgage and Housing Corporation (CMHC) that turns surplus federal lands and buildings available for development into affordable housing units and communities.



As of early September 2023, it has been reported that a local developer has purchased 130 Slater Street, a 13-storey, 123,000-square-foot building, intending to convert the office into an apartment complex with more than 200 rental suites.

## **DISCUSSION**

**Recommendation 1: Approve that where a development application for an Office-to-Residential Conversion requires both an Official Plan Amendment (OPA) and a Zoning By-law Amendment (ZBLA) and where the application is supported by Staff, the Official Plan Amendment portion of the Planning Application Fee be waived.**

As staff reviewed the process for Office-to-Residential Conversions, Staff determined that the only instance where an OPA would be required is where both policy and the Zoning By-law do not permit the residential use. Staff anticipate that there would be few instances where this could occur.

Where such an OPA-ZBLA application is supported by staff, it is proposed that the OPA fee be waived. The Delegation of Authority By-law, Schedule "1", Section 22 authorizes the General Manager, Planning, Real Estate and Economic Development, to reduce or waive the application fee for Official Plan amendments of a minor or technical nature. In this context, Office-to-Residential Conversion development projects supported by staff are "minor" in nature.

This waiving of the fee represents both a streamlined approach and a cost incentive, recognizing the housing units produced by the application are desired, help support the City's housing pledge and meet the City's policy intent. Recommendation 2 will speak to updates of the Zoning By-law that will add flexibility for applicants and further limit zoning by-law amendment requirements for conversions.

**Recommendation 2: Approve the inclusion of an amendment to Zoning By-law 2008-250, as shown in Document 1, in the Q1 2024 Omnibus Zoning By-law Amendment Report to provide flexibility for Office-to-Residential Conversions by:**

- a) carrying forward the performance standards of the existing portion of the building; and**
- b) providing flexibility on how the amenity space requirement can be provided on site.**

Staff assessed the zoning portion of Office-to-Residential Conversions centered on three questions:

- Where should conversions be permitted?
- How would the existing building's performance standards carry-forward if the massing is not changing?
- How do we create maximum flexibility on amenity space when it is understood that not all existing buildings that currently serve as offices can offer ground level outdoor amenity or rooftop patios?

While the motion that initiated this work asked staff to streamline the process for the downtown area, staff received input from Councillors that there was interest in looking at Office-to-Residential Conversion City-wide, and the recommendation reflects this amended direction.

Staff have provided for Council's consideration proposed language in Document 1 for a future Zoning By-law Amendment designed to streamline Office-to-Residential conversions. This language to amendment, if approved, would be included in the Q1 2024 Omnibus Zoning By-law Amendment Report to undergo the required process under the *Planning Act*.

To develop the language in Document 1, Staff identified zones which are incompatible to residential uses and excluded those zones from being permitted for Office-to-Residential Conversions (IG, IH, IL and IP). To narrow down the specific non-residential land uses that staff could support without an application, Staff looked at past Office-to-Residential Conversions projects and propose that, in addition to "office", "school, place of worship or hotel" be primary uses that would gain zoning permissions to have housing as a permitted use.

A major drawback and financial pressure of an office-to-residential conversion project raised by industry was going to Committee of Adjustment or Planning and Housing Committee to obtain performance standard amendments for a building that already exists. Residential and commercial uses sometimes have different performance standards (such as how close to the lot line a building can be), and in some instances, the existing building would no longer conform with the Zoning By-law because of the change of use from commercial to residential. To prevent a conversion from being required to apply for a ZBLA or a minor variance, Staff propose that an existing building's performance standards are deemed to be compliant following a change of

use, provided the building is not expanding its envelope in any direction and the primary use prior to conversion was office, school, place of worship or hotel.

It is important to note that any conversion project that plans on expanding the existing building with an addition or increasing the number of storeys would not qualify for the proposed exemption.

Lastly, amenity space and how it is provided is prescribed in the Zoning By-law. Staff recognize the challenges developers face in altering the floorplan of an office building in order to create residential units. Staff therefore propose to eliminate the “how” (e.g., private, public, indoors, outdoors) requirements for amenity space for office-to-residential conversion projects on the condition that the total required amenity space is still met.

Should Council approve of the above rationale, the draft Zoning By-law amendment in Document 1 of this report would be included as part of the Omnibus Zoning By-law Amendment Report for Q1 2024.

**Recommendation 3: Receive an update on the Site Plan Control process for Office-to-Residential Conversions with no additions or new storeys, which would benefit from a scoped material and information list and have a “Site Plan Control - Standard” fee.**

In instances where the building’s envelope remains largely unchanged (i.e., there are no additions or new storeys), Staff have the ability to streamline the Site Plan Control (SPC) application process with the objective of obtaining quick approvals.

Staff view SPC applications for conversions with no additions or new storeys as relatively low-complexity files given the limited scope of changes on site. It is therefore proposed that such applications are subject to the following:

- a) a scoped list of minimum required materials (as listed in Table 1); and
- b) a Site Plan Control - Standard application fee.

Staff anticipate requiring fewer materials (forms, plans and studies) for Site Plan Control applications of this type due to the relatively narrow scope of conversion projects. For most applications of this type, applicants would only be asked to provide the materials listed in Table 1 below. Where exterior works are taking place (window replacement, roof or landscaping work, sidewalk or right-of-way work), items in Table 2 could be asked. Staff would retain the authority to request additional plans and studies

depending on the scope of the application. This information would be communicated to applicants during phase 1 of pre-consultation.

Table 1 – Minimum Material Requirement for a Site Plan Control application for Conversions of non-residential or mixed-use buildings with a principal office, school, place of worship or hotel use with no additions or new storeys:

Material Name	Rationale
Zoning Confirmation Letter	Zoning By-law conformity is a requirement of SPC.
Survey Plan (Topographic)	Used to inform grading and on-site drainage. Site Plan, Landscape Plan, and Grading and Drainage Plan require this information before they can be produced.
Site Plan	Requirement of Building Code and used to display project statistics (i.e.; number of units, bike parking).
Servicing Study (Assessment of Adequacy of Public Services)	Demonstrating capacity in the existing Lateral Connection, Local System and main Trunk Collector is required. The report speaks to servicing in greater detail in recommendation 5.
Phase One Environmental Site Assessment	Provincial requirement to assess the potential for contamination on-site.
Record of Site Condition	While some exemptions exist under the provincial regulation, it is not the authority of the municipality to unilaterally remove this provincial requirement. Staff advise that Council write the province to undertake a review of the Record of Site Condition requirements and exemptions to support as appropriate, office-to-residential conversion more broadly.
Architectural Building Elevation	This visual document helps support an application and is a helpful tool for Planning and Building Code Services to assess an application.

Drawings (dimensioned)	
Noise / Vibration Study	Noise study is meant to capture noise impacts to and inform the property and notify residents of those impacts through registration of documentation on title.  An example is to address the impact from a building's own HVAC on its amenity space, and to the neighboring residential properties (Mechanical projection).

Table 2 – Additional Material Requirement for a Site Plan Control application for Conversions of non-residential or mixed-use buildings with a principal office, school, place of worship or hotel use with no additions or new storeys, **with works on the exterior of the building, roof or landscaping and site design**:

Material Name	Rationale
Grade Control and Drainage Plan, including rooftop drainage plan.	Any changes to the ground landscaping (hard and soft surface changes) would be reflected in this document to show any grade changes imposed by the proposed development.  The Servicing Study may require some works on the roof to store stormwater tanks. In this instance, a Grade Control and drainage plan would be required.
<a href="#">TDM Measures Checklist</a> and <a href="#">TDM-Supportive Development Design and Infrastructure Checklist</a>	These documents support the application by describing the changes to path of travel on site, and identifies measures to support sustainable modes of transportation.

<p>Urban Design Brief</p>	<p>An Urban Design Brief is intended to illustrate how a development proposal represents high-quality and context sensitive design that implements policies of the Official Plan, relevant secondary plans, and Council approved plans and guidelines.</p> <p>The Design Brief is typically required for all SPC applications and will be scoped in accordance with the proposal.</p> <p>Where the exterior of the building and/or the site/ landscape design as it relates to the public realm is not significantly changing, the requirement for this document may be withdrawn.</p>
<p>Landscape Plan</p>	<p>Although it is possible to include modest changes to the landscape in the Site Plan document, this document may be requested where a rooftop patio or more substantial groundwork is proposed.</p>

Table 3 – the below materials would generally not be required in the case of these SPC applications, although that does not preclude staff from requesting them.

<p>Transportation Impact Assessment (TIA)</p>	<p>Change of use (parking demand based on commercial versus parking demand based on residential, trip generation/ frequency etc.).</p> <p>It is expected that Office Buildings would have had a higher requirement for parking when they were built, and that those spaces could be converted fairly easily to bike parking to meet the zoning bike parking requirement.</p> <p>It is important to note that any change in access point (i.e.; closing of an entrance, or change of location of an entrance) would trigger a TIA if the revised access</p>
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	<p>location meets the location trigger or safety trigger of the TIA Guidelines.</p> <p>Where there are opportunities for sidewalk or other boundary street improvements, a scoped TIA comprised of Module 4.3 Boundary Conditions may be discussed with the applicant.</p>
<p>Urban Design Review Panel Report</p>	<p>Conversions located within Design Priority Areas in accordance with the Official Plan and which meet the associated threshold criteria outlined in the UDRP Terms of Reference, would be exempt from the UDRP and the provision of the associated UDRP Report, unless there are significant building additions, or significant changes to the site layout (such as redesigning a parking area to facilitate new buildings or parkland), that dramatically change the footprint of the building, and/or increase the height, or significantly alter the site layout.</p> <p>This would be discussed in Phase 1 of pre-consultation with the applicant.</p>

With a scoped down material list, Staff expect SPC applications for conversions to be less time-consuming and resource-intensive but would currently be charged the “Site Plan Control – Complex” application fee. It is therefore proposed that the “Site Plan Control – Standard” application fee be applied for conversion projects with a building envelope that remains unchanged. This more appropriately reflects the Staff resources required for these applications.

Where an applicant proposes to make changes to the building envelope or add additional storeys to an existing building, the application would follow the regular SPC application process and would be charged the “Site Plan Control – Complex” application fee.

### Heritage Impact and Consideration

Office buildings that have heritage value through individual designation or through a Heritage Conservation District will be required to proceed with the *Ontario Heritage Act* (OHA) process. This would be flagged as part Phase 1 of pre-consultation and the relevant materials would be required based on the scope of the project. Once the materials are complete, the OHA timelines for Council to provide a decision on the application is 90-calendar-days. Heritage Staff will endeavor to look at the possibility to streamline this process, and report back to Built Heritage Committee via Memo.

### Environmental Impact and Considerations

The Canadian Urban Institute (CUI) has completed substantial analysis on the impact of Office-to-Residential Conversions on GHG emissions including embodied carbon of the building itself and improved energy performance. To quote CUI's paper entitled "[The Case For Conversions](#)", published in April 2023:

“Re-use of existing buildings offers opportunities to avoid some of the climate impacts of new construction and shorten the timeframe to net contribution. A GHG analysis has been conducted to demonstrate the cumulative effect of avoided construction emissions due to building re-use and the point at which it would take for a new building of the same materials and volume would achieve emissions offset (the point at which it is no longer compensating for emissions triggered by new construction compared to an existing building converted).

This analysis shows that office-to-residential conversions can provide near term carbon emissions benefits when compared to the equivalent new construction, in addition to potential net reduction in total emissions over the building's lifespan.

Depending on the building materials, location (energy grid) and other factors, a new building can take 16 – 75 years to offset the carbon emissions that could be saved through building re-use.”

In addition, CUI's [supporting documentation](#), prepared in January 2023, has different modeling for different building types. Given Ontario's very low carbon-intensity grid, most projects in Ottawa would show that the time to offset for all efficiency scenarios is mostly beyond a 60-year project life, indicating a net carbon benefit over project life. In conversations with industry members, Staff have also been able to confirm these assumptions are shared with industry: embodied carbon leads to a positive GHG impact in the short term. This assessment supports Ottawa's effort to decrease GHG emissions significantly by 2050, as set in the [Climate Change Master Plan](#).



Given the clear data on the value of embodied carbon to meeting the Climate Change Master Plan targets, paired with Council's direction to incentivize Office-to-Residential Conversions, Staff therefore propose that Site Plan Control applications for Office-to-Residential Conversions, where there are not additions and additional height, be exempted from climate mitigation requirements beyond the scope of the Ontario Building Code. Future climate related initiatives will take into consideration the significant environmental benefits that can be realized by office-to-residential conversions. This proposal recognizes both the environmental value of building retention, and potentially reduces upfront construction costs for Office-to-Residential Conversion projects. Projects are encouraged to implement energy efficiency measures as conversion projects are an important opportunity to embed improvements which are significantly more expensive to implement retroactively in finished spaces.

#### Public Comments and Publishing on DevApps

Given the limited scope of change of Site Plan Control application for Office-to-Residential Conversions with no additions or new storeys, it was considered that those applications not be required to be posted on DevApps, while retaining a technical circulation, and Community and Councillor heads up. Posting on DevApps could be a minor efficiency in time of processing, and would reflect the very technical nature of an office-to-residential conversion. Concerns were raised about the perception that the opportunity for public comments on conversion proposals could offer a false sense of impact on a building which already exists. Ultimately, Staff propose to continue posting conversion site plan control applications on DevApps, with the understanding that public comments will have very limited scope given the building is being retained.

**Recommendation 4: Direct the General Manager of Planning, Real Estate and Economic Development to send a letter to the Ministry of the Environment, Conservation and Parks, copying the Minister of Municipal Affairs and Housing and the Minister of Red Tape Reduction, expressing support for the Province to re-examine the exemption requirement for a Record of Site Condition to support Office-to-Residential Conversions to assist municipalities with meeting their Housing Pledge targets.**

During an office-to-residential conversion focus group hosted by City staff, members of industry identified the filing of a Record of Site Condition (RSC) as one of the most significant barriers to office-to-residential conversions.

A Record of Site Condition (RSC) summarizes the environmental condition of a property, as of a certification date, based on the completion of one or more Environment

Site Assessments conducted. An RSC, along with supporting documents, is filed electronically to the Environmental Site Registry (ESR) once the ministry confirms that the contents of the RSC meet regulatory requirements.

As per O. Reg. 153/04 under the *Environmental Protection Act*, filing a Record of Site Condition (RSC) with the Ministry of the Environment, Conservation and Parks (MECP) is generally required for a land use change to a more sensitive use (i.e., commercial to residential). Under the regulation, use of a building as an office is considered a commercial use. Therefore, changing a land use from an office use to a residential use requires filing an RSC; however, O. Reg. 153/04 s. 15 (1) provides an exemption if the change of use is from commercial to mixed-use with residential use above the ground floor, provided that the building envelope is unchanged, the land has never been used for industrial purposes, and that the building is no more than six storeys tall.

Staff engaged with the Province to inquire about the O. Reg. 153/04 s. 15 (1), and it was confirmed that exemptions for RSC requirements were introduced in 2011, mainly to permit daycares (community use) in office buildings (commercial). A subsequent amendment in 2019 broadened these exemptions to what they are today, targeting mixed-use buildings below six storeys, with residential units above the first floor.

In consideration of this exemption, staff are therefore recommending that a letter be sent to the Minister of the Environment and Climate Change, copying the Minister of Municipal Affairs and Housing and the Minister of Red Tape Reduction, requesting that O. Reg. 153/04 s. 15 (1) be re-examined to exempt buildings greater than six storeys from requiring an RSC, provided the rest of the conditions are met. This request is in line with the Provincial priority to build housing faster as it would have a significant impact on the streamlining of office-to-residential conversions.

### **Recommendation 5: Receive an update on Site Servicing for Office-to-Residential Conversions**

There are two elements to consider for site servicing in the context of Office-to-Residential Conversions: On-site Stormwater Infrastructure and Network Capacity.

#### On-site Stormwater Infrastructure

Similar to zoning performance standards, an office use and a residential use have different standard levels for stormwater management on-site. In most cases, an applicant would typically be required to meet a higher standard for stormwater management and storage on-site (such as adding cistern on the roof or underground). On-site stormwater infrastructure is very expensive to implement, and Staff examined

how relief could be provided in instances where there are no significant changes to the hard surface on-site.

The City will therefore only require stormwater management where the post-conversion stormwater runoff rate is greater than the pre-conversion rate. This means that, in an Office-to-residential conversion context, there are significant cost savings for applicants for not having to pay for significant and expensive infrastructure upgrades.

In the event of more significant changes to hard surfaces on-site, staff will work with applicants to identify rooftop stormwater measures.

Staff are proposing to update the Sewer Design Guidelines “urban development” section to reflect this approach, targeted to be considered by Council later this term. In the interim, staff will complete a technical bulletin.

### Network Capacity

A potential major barrier to an Office-to-Residential conversion project is the available network capacity of water and wastewater infrastructure. Without available existing capacity, it is highly unlikely that an Office-to-Residential project would be financially feasible given the prohibitively high costs of upgrading existing infrastructure. There are three components to review when assessing available services for a project:

1. Lateral Connection – is the entrance and exit of services into the building. It is the smallest part of the network, is feasible to upgrade for an Office-to-residential conversion project and connects to the Local System.
2. Local System – is a pipe that typically services a small area with several properties. These local systems have a great variety of size and connect to the main trunk. Upgrades to this system would have to be covered by the applicant, a cost prohibitive option in almost all cases. Available capacity in the local system is allocated to intensification development projects on “first come, first served” basis.
3. Trunk Collector – is the key network pipe that ushers services to and from processing plants with the help of various pumping stations. They are the largest part of the network. These can be upgraded using a front-ending agreement, provided that they were identified in the Development Charges Background Study. A front-ending agreement would enable the applicant to finance the design and delivery of the capital works and recover their costs from the City at a later date according to the Council-approved budget spending forecast.

The City acknowledges that there is currently no program in place to evaluate and track available local drinking water, sanitary, and stormwater local system capacities to support intensification (including Office-to-Residential conversion projects), or to identify and implement projects and other measures to ensure that service levels are maintained in existing development areas. To date it has been possible to accommodate intensification by leveraging:

- residual local system capacities;
- opportunities to effectively create capacity through redevelopment; and
- backbone projects identified in the current and previous Infrastructure Master Plans.

Staff in Infrastructure and Water Services are currently working on the Infrastructure Master Plan and will be speaking to the local system capacity to support intensification in more detail in an upcoming report.

#### Local Improvement in an Office-to-Residential Conversion Context

Local improvement was discussed internally as a potential method for applicants to upgrade a local system to increase available capacity. Local Improvements are a method of requesting new or replacement municipal infrastructure intended to upgrade or improve certain conditions within residential, commercial, and industrial areas of the municipality. A Local Improvement may be requested by property owners through a petition-based process. When a Local Improvement is approved, costs are shared by all property owners who benefit from this project and the City. For technical feasibility, group development of no less than three distinct properties (i.e., no one-offs) will be considered for the petition process. To be approved, a two-third support of benefiting landowners is required. Cost is calculated and shared amongst neighbours on a frontage basis.

In the case of Office-to-residential conversion, it is unlikely that neighbours would agree to bear the cost of updating the local infrastructure. In a scenario where a single owner is the sole beneficiary of a Local System upgrade, the City would expect them to pay for the infrastructure works. Local Improvement is therefore not a recommended or feasible approach for Office-to-residential conversions.

### On-site Sanitary Storage

Given that local systems requiring upgrades do not benefit from Local Improvement or DCs, Staff will be exploring whether private on-site sanitary storage solutions could be supported by the municipality as an alternative lower cost solution to support infill development.

There are currently no guidelines or policy regarding private on-site sanitary storage solutions (tanks on private property), although there are several examples, both private (123) and public (9), currently in use.

There are two types of tanks: passive (where the flow uses gravity to trickle down into the local system) or, pumped (where the tank is located below the local system, and a mechanical feature needs to push the flow upwards). There are more risks with a pumped than a passive system due to additional potential component failures with mechanical parts. For that reason, passive solutions are generally preferred.

Staff will be exploring the creation of guidelines and best practices for on-site sanitary storage solutions as part of the Sewer Design Guidelines project, coming to Council for consideration later this term.

### **Update on the potential funding sources for Office-to-Residential Conversions.**

The Motion directed staff to look at funding in two different action clauses:

- BE IT FURTHER RESOLVED that staff review the possibility of reducing municipal fees on conversions of office buildings to residential buildings in the downtown core for projects where 20% of units are core affordable
- BE IT FURTHER RESOLVED that staff explore other operational and capital strategies, including potentially innovative models like acquisition programs, that could facilitate the conversion of office to residential in the core

This section is therefore split into two sections:

1. the financial tools that are within the control of the municipality and whether it would be impactful to link them to affordable housing, including:
  - a. Development application fees
  - b. Development Charges
  - c. Community Benefits Charges

- d. Cash-in-lieu of Parkland
  - e. Funding for Affordable Housing
  - f. Incentive fund – similar to Calgary
2. the financial implications that are dependent on contributions from other levels of government.

### Development Application Fees

Development application fees are collected to cover the cost of processing the application. Staff are already proposing in Recommendation 2 that, for eligible conversion applications, the SPC application fee be reduced to reflect the reduced complexity of conversion files. Therefore, application fees represent a very small amount of the total costs of a project and would not be a substantial incentive towards affordable housing in the context of Office-to-Residential conversions, which are typically larger buildings. However, waiving these fees does have a financial repercussion for the City as Development Review staff are funded through those fees revenues.

Table 4 – below is the planning application fee breakdown for an office-to-residential conversion (ZBLA and SPC):

Application Type	Planning Fee (does not include design and inspection)
Pre-consultation Phase 1	\$774.00
Pre-consultation Phase 2	\$774.00
Pre-consultation Phase 3	\$774.00
Official Plan Amendment	\$29,883.00
Zoning By-law Amendment - Minor	\$13,096.00
Zoning By-law Amendment - Major	\$25,492.00
Site Plan Control - Standard	\$19,063.00
Site Plan Control - Complex	54,015.00

### Development Charges

For Office-to-Residential Conversion with no change to gross floor area (GFA), Development Charges are not required as per Section 9 of the *Development Charges By-law*. This is an existing re-development credit under the authority of the City which already provides significant relief to industry.

For Office-to-Residential conversion projects that would create commercial space on the ground floor, the Development Charges for the ground floor portion would apply.

The education portion of the Development Charges, regulated by school boards independently from the City, still applies to Office-to-Residential conversion projects.

### Community Benefit Charge (CBC)

The City's legal opinion is that in the circumstance of a redevelopment of an existing building from office or commercial to residential where no new floor area is being constructed and all the redevelopment is within the existing building envelope, the City would not be able to collect any CBCs.

Where there are proposed additions to the building's Gross floor area (GFA), the CBC would still apply.

### Parkland Dedication

The [\*Parkland Dedication By-law\*](#) regulates the *Planning Act* requirement for the conveyance of parkland, cash-in-lieu of conveyance of parkland, or combination thereof. Section 4.4 of the Official Plan (Parks and Recreation Facilities) speaks to the Parks priority in relation to development, placing a requirement on land first rather than Cash in lieu. Council also approved a land first policy on July 6, 2022 through report [ACS2022-RCF-GEN-0003](#).

Cash-in-lieu of parkland (CIL) is a one-time payment of funds equivalent to the value of the amount of land that the City would otherwise have been entitled to require to be conveyed for park and facilities purposes as part of a development. Sections of the current *Parkland Dedication By-law* was recently superseded by Bill 23. These changes reduced the maximum value of conveyed lands, cash-in-lieu or a combination thereof, for residential developments to a maximum of 10% of the gross land area for properties less than 5 hectares in size (15% for greater than 5 hectares).

The *Parkland Dedication By-law* also states that development applications for Commercial and Industrial properties would have to commit 2% of the gross land area by providing conveyed lands, cash-in-lieu or a combination thereof.

Table 5 – Maximum Parkland or conveyance requirement

Type of development or use	Maximum conveyance requirement
Commercial and Industrial purposes	<ul style="list-style-type: none"> <li>• Conveyance of parkland: 2% of the gross land area;</li> <li>• Cash-in-lieu of parkland: 2% of the gross land area; or</li> <li>• Combination thereof</li> </ul>
Residential	Cash-in-lieu of conveyance of parkland (residential > 18 units/net ha): one hectare per 1,000 net residential units but shall not exceed a maximum of 10% of the gross land area where less than or equal to five hectares (or 15% of the gross land area where greater than five hectares)

CIL can be used to fund land acquisition, the development of new parks and recreation buildings, and additions and refurbishments to existing parks and recreation buildings.

The [Parks and Recreation Facilities Master Plan](#) Annex A, establishes the parkland and facilities targets by transect, and compares them to the current and planned service levels. Two issues have been identified: the City is currently not meeting its approved target inside the greenbelt. It has also been identified that the current method of collecting and allocating CIL funds does not adequately direct money to the areas and projects where the identified need is greatest: the current assets are not being adequately renewed under the current funding model. While RCFS is currently reviewing the Cash-in-lieu of Parkland Funds Policy to ensure that the policy most effectively supports the addition and renewal of projects identified in the [Parks and Recreation Facilities Master Plan](#), CIL could be a significant contributor to resolving the investment deficit in existing facilities.

Given the stated Official Plan and Parks and Recreation Facilities Master Plan's stated need for CIL to fund land for new parks and recreation facilities, and the limits in the *Planning Act* that CIL funding can only be spent on parks and recreation facilities, it is not possible to use these funds for any other purpose.



It would be possible under Exemptions Section 11 (2)(l) of the Parkland Dedication Bylaw for the City to forgo collection of CIL funds as part of a negotiation with the applicant for an alternative public benefit (such as permanent affordable housing) in partnership with the City. Such an approach is not current City policy in the Parkland Dedication By-law or Policy. Should Council wish for this option to be explored further, staff can be directed to explore the feasibility and impact of this option further, such as exploring whether any CIL amount forgone can be reallocated from future provincial or federal funding.

For an Office-to-Residential Conversion where there are no additions or new storeys, the dedication calculation is based on increase residential density, where none existed previously. The measure of density for this purpose is listed in the *Planning Act*.

Any previous parkland dedication is recognized as contributing towards the total dedication amount. Once attributed, the 10% cap is applied, if applicable.

If a property's past contribution is below the 10% cap and the change in use from commercial to residential demonstrates dedication at or above the 10% cap, the balance will be required to be provided.

For example: There could be an instance where the value of a CIL contribution based on the number of units and the calculation in the *Planning Act* equates 30% of the value of the land. The City would then apply any credits such as the 2% from a past CIL commercial contribution when the building was built – meaning 28% of the value of the land would be owed. Lastly, the *Planning Act's* 10% cap is applied, reducing the amount that the City can charge from 28% to 10%. In this scenario, including any past contribution, 10% of the total land value would be charged for CIL.

Another example: There could be an instance where the value of a CIL contribution based on the number of units and the calculation in the *Planning Act* equates 11% of the value of the land. The City would then apply any credits such as the 2% from a past CIL commercial contribution when the building was built – meaning 9% of the value of the land would be owed. Lastly, the *Planning Act's* 10% cap is applied, meaning that only 9% would be applied.

Section 11 part 3 of the *Parkland Dedication By-law* speaks to an Affordable Housing exception to conveyance of parkland, which in an Office-to-Residential conversion context includes:

- developments by non-profit housing organizations that provide units below current market levels in the City to low- or modest-income tenants (Section 11.3.e.), and
- any development or redevelopment of a use undertaken in partnership with the City (Section 11.3.i.).

As for the decision of determining a non-profit organization in the context of Office-to-residential Conversion, it will be reviewed on a case-by-case basis by the Chief Financial Officer given that the current Parkland Dedication By-law, and this provision, is currently under appeal.

It is important to highlight that industry has noted that CIL is a significant financial consideration in assessing the viability of an office-to-residential conversion. While staff acknowledge this to be their experience, the federal and provincial financial levers such as the HST/GST rebate (which will be discussed below), are more appropriate financial incentives as it does not equate with a reduction in municipal funds needed to meet the City's Council approved commitments in the Parks and Facilities Master Plan. For the reasons listed above, CIL is not recommended to be waived or reduced as part of this report.

#### Incentive Fund

Council could opt to create an Office-to-Residential Incentive Fund, providing a direct monetary contribution to those undertaking office-to-residential conversion projects. The source of funds, qualification criteria, and resource implication for administering the program for this incentive would have to be explored by staff and reported back to Council for a decision. Staff stress that development fees are not a feasible source of funding.

An example for Council's consideration is Calgary's "Downtown Development Incentive Programs", their goal is to remove six million square feet of office space from the downtown area by 2031. Grants are available up to a maximum of \$15 million per property. This was part of a \$200-million investment in the Greater Downtown Plan, with \$123 million coming from city reserves and an additional \$77 million coming from anticipated federal infrastructure funding. Calgary has taken this approach because they face a major office vacancy issue dating to before the pandemic: Downtown and Beltline office vacancy sat at 32% at the time the grants were enacted.

The City of Ottawa's Reserves, which were reviewed in 2018 ([ACS2018-CSD-FIN-0004](#)) does not include or envision economic development, or office-to-residential

conversions, as a potential use of reserves. The City does have the Social Housing and Affordable Housing reserves, both used to fund the acquisition, development and renewal of housing units. The social housing reserve is funded from operating surpluses in the Housing Services operating budget. The affordable housing reserve is funded from a 25% contribution from applicable land sales as per the Affordable Housing Policy. Both sources will now fund the combined Housing Reserve. These funds will continue to support the development of projects in the affordable housing pre-development pipeline.

It is important to note the potential impacts of over incentivising office-to-residential conversion: it can lead to low office space supply, increase office leasing rates and displacement of office workers in cases where leases are terminated. CUI's research pointed the potential consequences of a conversion program that occurs in an environment with very high housing demand and balanced office vacancy. For example, UK policy changes in 2011 led to economic pressures due to decreased office supply and increased office rates. Ottawa has an office vacancy rate of 13.9% (15.1% downtown) which is over the 10% healthy office vacancy rate. Comparatively, Toronto's office vacancy sits at 15.8 per cent and Calgary is at 31.5 per cent.

If Council were to choose to explore financial incentives for conversions, it may be prudent to limit the funding to periods of time when the office vacancy rate is at a rate above the healthy 10%. Should Council wish for staff to explore a fund, such a threshold could be explored.

### **Funding for Affordable Housing**

The motion specifically asked for funding to support Office-to-Residential Conversions be tied to Affordable Housing. Ottawa's Affordable Housing definition and target for rental units is as follows:

- a unit for which the rent is at or below the average market rent (AMR) of a unit in the regional market area:
  - Studio = \$1,121
  - 1-bedroom = \$1,347
  - 2-bedroom = \$1,627
  - 3+ Bedroom = \$1,769

CMHC reports that rental developments built after 2005 charge the following average rates for the units, in table 6 below.

Table 6 – Private Apartment Average Rents for new units built 2005

<b>Private Apartment Average Rents for new units built 2005</b>							
<b>Bachelor</b>		<b>1 Bedroom</b>		<b>2 Bedroom</b>		<b>3 Bedroom +</b>	
Oct-21	Oct-22	Oct-21	Oct-22	Oct-21	Oct-22	Oct-21	Oct-22
\$1,458	\$1,555	\$1,842	\$1,934	\$2,248	\$2,404	\$2,380	\$2,372

The newer the building, beyond 2005, the higher the rental rates.

For a private unit to be considered affordable, the City would have to subsidize the difference between 80% AMR and the rate the private owners would charge in table 6.

There is not currently an opportunity for private development to obtain funds from the City to have affordable housing within their development. The City has a Capital Program to support non-profit housing organization through Action Ottawa, and the Affordable Housing Community Improvement Plan is an item considered by Council separately.

#### Affordable Housing Funding for non-profit housing organization

[Action Ottawa](#) is a capital program for non-profit housing organization. Action Ottawa increases the supply of affordable housing for low- to moderate- income households. This includes well designed and well managed supportive housing. Action Ottawa:

- Combines City incentives with funding from other levels of government to help private and non-profit developers build new affordable rental housing for moderate and low-income households.
- Capital grants, and in some cases, City-owned land.
- Leverages municipal resources with other government programs and grants.

Non-profit housing organizations that meet the City's criteria and are selected by the City as eligible participants enter into a Contribution agreement with the City, different for each project, comprised of the affordable threshold to be provided (i.e.; 100% or 80% of average market rent), duration (i.e.; 25 years) and the number of units on site.

An Office-to-Residential conversion project undertaken by a non-profit housing organization could benefit from Action Ottawa and should connect with the Affordable Housing Branch to determine eligibility. It is important to note that Action Ottawa funding is limited and that additional project streams, such as Office-to-Residential conversions, will add financial pressure to fund such redevelopment. As of now, there are 1800 units in the pipeline that are awaiting funding.

In addition to Action Ottawa, a non-profit organization that meets the requirements outlined in the by-laws referred to above would be eligible for these exemptions:

- [Development application fees](#) (note: the initial design review and inspection fee and conservation authority fee are not exempt)
- [Parkland Dedication \(By-law No. 2022-280\) | City of Ottawa](#) (Section 11 exemptions – 2(e))
- [Development Charges](#) (Exemptions - 7(1)(o) – note: the - education charges are not exempt)
- [Community Benefits Charge By-law](#) Section 4 exempts non-profit housing from CBCs, given that they are listed in Section 1 of O. Reg. 509/20

#### Affordable Housing Funding for private development

There is currently no municipal funding mechanism to support Affordable Housing in private for-profit developments.

The Affordable Housing Community Improvement Plan (“CIP”) is a mechanism that is going to be before Council’s consideration that may include considerations on offering incentives to private development to include affordable units in their projects.

It is recommended that Office-to-Residential Conversion projects not qualify for the Community Improvement Programs (including Affordable Housing CIP) should the source of funds be a Tax Increment Equivalent Grant (TIEG). A TIEG invests a portion of the increase in the expected municipal property taxes for a particular outcome supported by the municipality.

Analyzing the limited examples of past conversions, there is not clear evidence of an increase in property value that would meet or exceed current City revenues. Office tax rate is generally higher than residential, and conversions would need to have substantial work to uplift their valuation to match existing office revenues. A similar assessment can be made for federal properties which offer the municipality a Payments in lieu of taxes for federal properties.

Should it be assessed that property valuations increase more substantially for conversion projects in the future, and that there could be an opportunity for conversion projects to benefit from a TIEG, eligibility for CIP participation could be revisited.

Therefore, only external funding would be available to support Affordable Housing in private for-profit developments.

## **External Funding**

### Housing Accelerator Fund

The Housing Accelerator Fund (HAF) is a \$4 billion fund that was announced during the 2022 Federal Budget. The primary objectives of the fund are to create more supply of housing at an accelerated pace and enhance certainty in the approvals and building process. Municipalities were invited to apply for funding through the HAF by June 14, 2023. To determine how much funding a municipality would be eligible for, they were required to prepare an Action Plan that identifies at least seven (7) initiatives that meet the objectives of the HAF. In the City's HAF application, Office-to-Residential Conversion Streamlining was included as one of those initiatives. Ottawa's Action Plan was approved by Council July 12, 2023 ([ACS2023-PRE-GEN-0007](#)).

Allocation of the HAF funding, once issued by the federal government, will be a future Council decision.

### Ontario Launching Building Faster Fund

The Ontario government announced on August 21, 2023, that it is launching the Building Faster Fund, a new three-year, \$1.2 billion program that provides significant new funding based on performance against provincial housing targets.

The Building Faster Fund will provide \$400 million in new annual funding for three years to municipalities that are on target to meet provincial housing targets by 2031.

Municipalities that reach 80 per cent of their annual target each year will become eligible for funding based on their share of the overall goal of 1.5 million homes.

Municipalities that exceed their target will receive a bonus on top of their allocation.

### Enhanced GST Rebate for Purpose-built Rental Housing

The Federal Government announced on September 14, 2023 an enhanced [GST Rental Rebate](#) to build more apartments for renters. Qualifying new residential units would be those that qualify for the existing GST Rental Rebate and are in buildings with at least:

- Four private apartment units (i.e., a unit with a private kitchen, bathroom, and living areas), or at least 10 private rooms or suites (e.g., a 10-unit residence for students, seniors, or people with disabilities); and,
- Ninety per cent of residential units designated for long-term rental.

Projects that convert existing non-residential real estate, such as an office building, into a residential complex would be eligible for the enhanced GST Rental Rebate if all other above conditions are met. Public service bodies would also be eligible to access the enhanced GST Rental Rebate.

To implement the above, [Bill C-56](#) was introduced in the house of Commons on September 21, 2023.

Ontario Minister of Municipal Affairs and Housing Paul Calandra announced on [X \(formerly Twitter\)](#) that Ontario would work closely with the federal government when it comes to Ontario's portion of the HST.

This represents significant financial support towards residential construction, including office-to-residential conversion projects.

## **RURAL IMPLICATIONS**

Non-residential or mixed-use buildings with a principal office, school, place of worship or hotel use with no additions or new storeys would qualify for the streamlining parameters in this report.

## **COMMENTS BY THE WARD COUNCILLOR(S)**

Report is a City-Wide item.

## **LEGAL IMPLICATIONS**

There are no legal impediments to the adoption of the recommendations in this report. The zoning amendment identified in Document 1 will be subject to the public notification and meeting requirements of the Planning Act.

## **RISK MANAGEMENT IMPLICATIONS**

There are no risk implications.

## **ASSET MANAGEMENT IMPLICATIONS**

Asset management implications have been identified in the "discussion section" of

recommendation 5, speaking to network capacity and stormwater management.

## **FINANCIAL IMPLICATIONS**

There are no additional funds being requested through this report. In the event that Planning Services development revenues are inconsistent with past trends and are not achieved, fees will be adjusted through future budget process(es).

Recommendation 1: Official Plan Amendment fee waiver will result in a loss in revenue of 29,883.00 per waiver.

Recommendation 2: Amending the Zoning By-law 2008-250 in the Q1 2024 Omnibus Zoning By-law Amendment Report will remove the requirement to apply for a ZBLA or minor variance, provided the building is not expanding its envelope in any direction and the primary use prior to conversion was office, school, place of worship or hotel. This will result in revenue loss of between 13,096.00 and 25,492.00 for ZBLA and \$563.00 for Minor Variance.

Recommendation 3: Office-to-Residential Conversions with no additions or new storeys, would be charged the Site Plan Control - Standard Fee of 19,063.00, versus the Complex Fee of 54,015.00.

Recommendations 4 and 5: There are no direct financial implications.

## **ACCESSIBILITY IMPACTS**

There are no accessibility impacts.

## **ECONOMIC IMPLICATIONS**

Streamlining Office-to-Residential Conversion, as described in this report, would yield positive economic impact in the City of Ottawa, helping to revitalize underused spaces.

## **CLIMATE IMPLICATIONS**

The climate implications were included in the discussion section of the report, and are also quoted below.

The Canadian Urbanism Institute (CUI) has completed substantial analysis on the impact of Office-to-Residential Conversions on GHG emissions including embodied carbon of the building itself and improved energy performance. To quote CUI's paper entitled "[The Case For Conversions](#)", published in April 2023:



“Re-use of existing buildings offers opportunities to avoid some of the climate impacts of new construction and shorten the timeframe to net contribution. A GHG analysis has been conducted to demonstrate the cumulative effect of avoided construction emissions due to building re-use and the point at which it would take for a new building of the same materials and volume would achieve emissions offset (the point at which it is no longer compensating for emissions triggered by new construction compared to an existing building converted).

This analysis shows that office-to-residential conversions can provide near term carbon emissions benefits when compared to the equivalent new construction, in addition to potential net reduction in total emissions over the building’s lifespan.

Depending on the building materials, location (energy grid) and other factors, a new building can take 16 – 75 years to offset the carbon emissions that could be saved through building re-use.”

In addition, CUI’s [supporting documentation](#), prepared in January 2023, has different modeling for different building types. Given Ontario’s very low carbon-intensity grid, most projects in Ottawa would show that the time to offset for all efficiency scenarios is mostly beyond a 60-year project life, indicating a net carbon benefit over project life. In conversations with industry members, Staff have also been able to confirm these assumptions are shared with industry: embodied carbon leads to a positive GHG impact in the short term. This assessment supports Ottawa’s effort to decrease GHG emissions significantly by 2050, as set in the [Climate Change Master Plan](#).

Given the clear data on the value of embodied carbon to meeting the Climate Change Master Plan targets, paired with Council’s direction to incentivize Office-to-Residential Conversions, Staff therefore propose that Site Plan Control applications for Office-to-Residential Conversions, where there are not additions and additional height, be exempted from climate mitigation requirements beyond the scope of the Ontario Building Code. Future climate related initiatives will take into consideration the significant environmental benefits that can be realized by office-to-residential conversions. This proposal recognizes both the environmental value of building retention, and potentially reduces upfront construction costs for Office-to-Residential Conversion projects. Projects are encouraged to implement energy efficiency measures as conversion projects are an important opportunity to embed improvements which are significantly more expensive to implement retroactively in finished spaces.

**TERM OF COUNCIL PRIORITIES**

This project addresses the following Term of Council Priorities:

- affordable housing and is more liveable for all, and
- is green and resilient.

**SUPPORTING DOCUMENTATION**

Document 1 – Proposed Section XYZ – Office to Residential Conversions, for inclusion in the Q1 2024 Omnibus Zoning By-law Amendment Report

Document 2 – Motion No.2023 - 08/04

**CONCLUSION**

Staff recommend Council consider the streamlining approach outlined in this report to support office-to-residential conversion projects.

**DISPOSITION**

PRED Policy Staff to include the text of Document 1 in their next Omnibus Zoning Bylaw Amendment Report.

PRED to create a webpage for Office-to-Residential Conversions to provide information about these development projects in the context of development applications.

PRED General Manager to send a letter to province requesting that requirement for Record of Site Condition be reviewed.

IWSD to update the Sewer Design Guidelines “urban development” section to reflect this report on Stormwater management and consider on-site sanitary storage as part of their review, targeted to be considered by Council later this term.

**Document 1 – Proposed Section XYZ – Office to Residential Conversions, for inclusion in the Q1 2024 Omnibus Zoning By-law Amendment Report**

1. Non-residential or mixed-use buildings with a principal office, school, place of worship or hotel use as of August 1, 2023, that are adapted, within the existing building envelope, to be residential or mixed-use buildings in zones other than IG, IH, IL and IP are deemed to comply with zoning, except for:
  - a. The application of Table 137, where columns III and IV do not apply to adaptations of an existing building in accordance with subsection XYZ(1), and amenity area must be provided, but may be configured in any combination of private or communal space, or in any location in accordance with subsections 137(1) to (5).

**Document 2 – Motion No.2023 - 08/04**

**Council, February 22, 2023**

Moved by A. Troster

Seconded by M. Sutcliffe

**WHEREAS the City of Ottawa’s downtown core is facing significant challenges with fewer people working and visiting downtown; and**

**WHEREAS through the conversion of office buildings in the downtown core to residential buildings, the City could help lead the revitalization of our downtown and assist in the increased availability of housing; and**

**WHEREAS commercial to residential conversions have extensive logistical and engineering challenges and would benefit from a streamlined approval process taking into consideration the involvement of several City of Ottawa departments including Building Code Services, Planning Services, Infrastructure Services, among others; and**

**WHEREAS the Federal Government launched their Housing Accelerator Fund with an aim to remove barriers and help municipalities build more housing through measures which include the reduction in construction approval timelines and the rapid development of vacant or underused lands; and**

**WHEREAS the Federal Minister of Housing and Diversity and Inclusion is responsible for the administration of the Housing Accelerator Fund; and**

**WHEREAS the Rapid Housing Initiative is the specific portion of the Housing Accelerator Fund designated to support the expansion of affordable housing stock; and**

**WHEREAS the City’s Official Plan aims to maximize the ability to provide affordable housing throughout the city; and**

**WHEREAS in accordance with the City’s 10-year Housing and Homelessness Program, the City set a target that 20% of all new residential units be affordable;**

**THEREFORE BE IT RESOLVED that the Mayor, on behalf of Council, write a letter to the Minister of Housing and Diversity and Inclusion requesting funding to help incentivize conversions, with a priority and focus on affordable housing; and**

**BE IT FURTHER RESOLVED** that a cross-departmental SWAT team be organized to assist in streamlining the approvals process for conversions; and

**BE IT FURTHER RESOLVED** that staff review the possibility of reducing municipal fees on conversions of office buildings to residential buildings in the downtown core for projects where 20% of units are core affordable; and

**BE IT FURTHER RESOLVED** that staff explore other operational and capital strategies, including potentially innovative models like acquisition programs, that could facilitate the conversion of office to residential in the core and report back by way of memorandum by Q3 2023.

**Carried**