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# Affordable Housing Community Improvement Plan

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City of Ottawa  
September 2023

**DRAFT**

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# 1.0 Introduction

## 1.1. Background

In 2020, the City of Ottawa released their revised 10-Year Housing and Homelessness Plan. The purpose of the 10-Year Housing and Homelessness Plan was to assess the needs and demands across the housing and homelessness system and provide strategies to address the challenges currently faced across the housing continuum. It emphasizes the need to increase the supply of affordable housing in the City of Ottawa, and identifies the key step of introducing an affordable housing regulatory and incentive framework for new affordable housing for the private market, including the use of Community Improvement Plans ("CIPs").

The City of Ottawa has a target that 20 percent of all new residential units be affordable. However, the residential construction sector is grappling with increased interest rates, labour shortages and supply chain disruptions. In Ottawa, residential construction expenses have risen by approximately 51 percent since 2019. The high cost of building combined with high interest rates has resulted in the challenging delivery of new affordable units. The Affordable Housing CIP provides an opportunity for housing providers to offset some of these costs, thereby improving the viability of constructing affordable units.

The consulting team of MacNaughton Hermsen Britton Clarkson Planning (MHBC) and SHS Consulting (SHS) were retained by the City of Ottawa to undertake a study to develop a comprehensive Affordable Housing CIP aimed at incentivizing the development of affordable housing units throughout the City.

The Affordable Housing CIP has been informed by substantive background research and analysis, and confirmed through stakeholder and public consultation, and provides a financial incentive designed to support community goals and priorities.

## 1.2. What is a Community Improvement Plan?

A Community Improvement Plan ("CIP") is a tool that allows municipalities to direct funds and implement policy initiatives toward a designated project area. Municipalities must have enabling policies in their Official Plans for the ability to prepare CIPs under the *Planning Act*.

CIPs are intended to encourage revitalization initiatives and/or to stimulate development and redevelopment, and can be municipally-driven or incentive-based. Incentive-based programs can involve grants, loans and land, or tax assistance. The Affordable Housing CIP is intended to support Ottawa's goal that 20 percent of new residential units are affordable by incentivizing their development.

### 1.3. Outline of this Plan

This Plan is comprised of the following four sections:

**Part 1: Introduction** provides background contextual information, including an overview of CIPs, and general details to assist the reader.

**Part 2: Policy and Legislative Context** provides background information regarding the legislative authority for CIPs and supporting policies.

**Part 3: Affordable Housing CIP** is the operative component of the Plan. It identifies Community Improvement Project Area, the goal and objectives of the CIP, and provides eligibility requirements for the incentive program.

**Part 4: Implementation** establishes the policies to address how the CIP will be implemented, including the decision-making authority, program administration, financial management, marketing, monitoring and evaluation, and Plan amendments.

### 1.4. How to Use this Plan

The Affordable Housing CIP establishes the City of Ottawa's commitment to supporting the creation of new affordable rental housing units by providing a financial incentive program for housing providers.

Readers and those interested in this CIP and incentive program are advised to read the Plan in its entirety. Every effort has been made to ensure consistency and alignment of policies, programs, and requirements. Interested proponents are encouraged to review this Plan and contact the City to confirm their eligibility. Early engagement with the City is highly recommended. The authority to interpret and implement this Plan will be with the Director of Housing Services.

## 2.0 Policy and Legislative Context

The legislative authority to prepare an Affordable Housing CIP is established under Section 28 of the *Planning Act*. The authority to provide financial incentives is established in Sections 106 and 365.1 of the *Municipal Act* and Sections 28(6) and 28(7) of the *Planning Act*.

A municipality must have provisions in their Official Plan relating to community improvement for the authority to establish a Community Improvement Project Area by by-law and implement a CIP. In the City of Ottawa's Official Plan (2022), Section 11.3 outlines the City's policies for CIPs, including the processes and criteria for designating Community Improvement Project Areas and establishing CIPs.

While this CIP has been prepared in alignment within the current local and provincial policy and legislative contexts, Bill 23 introduced a number of changes to legislation affecting affordable housing, and future regulations and changes anticipated from the Province that may impact the incentive program.

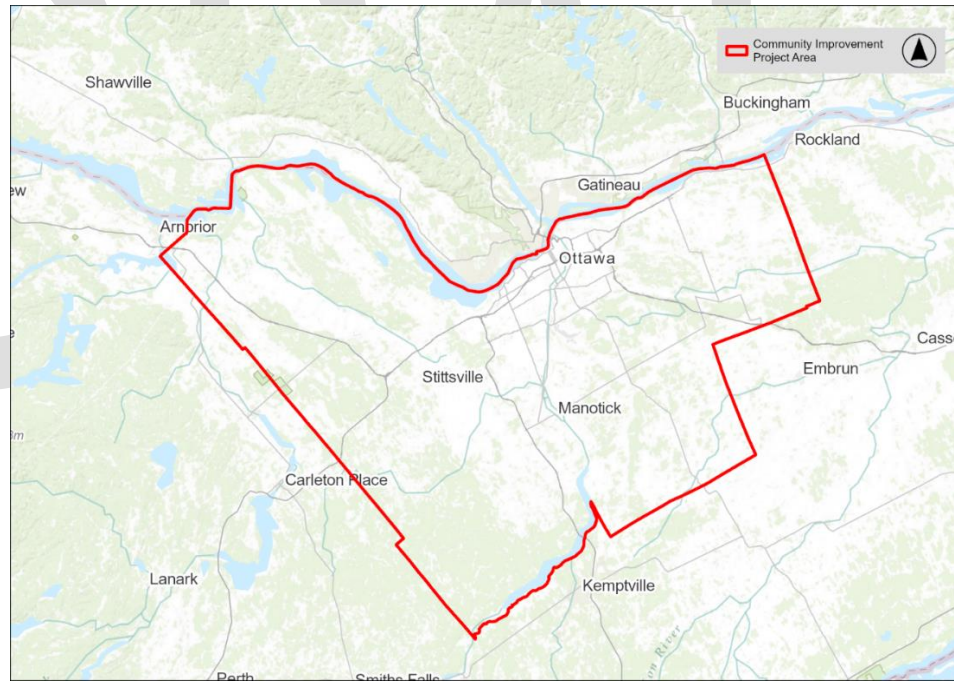
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# 3.0 Affordable Housing CIP

## 3.1. Community Improvement Project Area

For the purposes of the Affordable Housing CIP, the entire City of Ottawa is identified as the Community Improvement Project Area. As affordable housing is needed throughout the City, in order to effectively provide for a mix of affordable rental housing, all efforts should be made to ensure that affordable rental units are available throughout the City of Ottawa.

The City of Ottawa Affordable Housing Community Improvement Project Area is shown below and forms part of this Plan.



**Figure 1: Community Improvement Project Area**

## 3.2. Goal and Objectives

The **goal** of the Affordable Housing CIP is to increase the supply of affordable rental housing units throughout the City of Ottawa by minimizing the financial barriers to the creation of affordable units.

The **objectives** of the Affordable Housing CIP are as follows:

1. Facilitate the development of affordable rental housing by providing financial support;
2. Increase the overall number of affordable rental housing units in Ottawa;
3. Assist in the achievement of the target that 20% of new housing units in Ottawa are affordable; and
4. Reinforce the provision of affordable housing as a community priority.

## 3.3. General Program Eligibility and Requirements

Projects will be given consideration under the Affordable Housing CIP subject to satisfying the following general provisions:

1. **AFFORDABILITY:** For eligibility under the Affordable Housing CIP, rental housing that is rented at or below Average Market Rent (AMR), as defined by the Canada Mortgage and Housing Corporation (CMHC) will be considered affordable.
2. **AFFORDABILITY PERIOD:** Units must remain affordable for a minimum of 20 years. An agreement between the City and the owner will be required, which will set out the terms, duration and default provisions of the incentive to be provided. The City may discontinue any financial incentive program where there is not compliance with an executed agreement.
3. **NUMBER OF UNITS:** A minimum 20% of units in a development or redevelopment must qualify as affordable (as defined herein), as both a proportion of overall units and by unit type. The development must include a minimum of five (5) units that qualify as affordable to qualify for the Affordable Housing CIP.
4. **APPLICATION:** Applications are to be submitted prior to the issuance of a Building Permit. Applications will be reviewed by Housing Services staff on a first come, first served basis to confirm project eligibility. For applications wherein the total grant value is less than \$2 million, approval authority is delegated to the General Manager of Community and Social Services. For applications wherein the total grant value is more than \$2 million, Council approval is required.

- 5. **MULTIPLE INCENTIVES:** The CIP incentive may be stacked with other government programs and funding (e.g. Canada Mortgage and Housing Corporation (CMHC), Federation of Canadian Municipalities (FCM) and Action Ottawa). The Affordable Housing CIP incentive program can also be stacked with other CIP programs.

### 3.4. Tax Increment Equivalent Grant (TIEG) Incentive Program

#### PURPOSE

The Affordable Housing CIP offers a Tax Increment Equivalent Grant (TIEG) program to incentivize the development of affordable rental units in the City of Ottawa. TIEGs use the future property tax gains generated by a development to help finance the actual development through the provision of grants. The purpose of this program is to incentivize the development of affordable rental units by providing a yearly grant for a period of 20 years, which is intended to offset the revenue loss (i.e. the difference between market and affordable rent) experienced by the housing provider for incorporating affordable units in their development.

#### DESCRIPTION

The TIEG program provides annual grants between \$6,000 and \$8,000 per affordable unit per year, for a period of 20 years. A minimum of 20% of the units in a development must be affordable units at or below AMR and maintained for a minimum of 20 years. The grant amount per unit is calculated based on the level of affordability provided, as outlined in the table below. The total annual grant shall not exceed the incremental increase in property taxes.

**Table 1: Grant Amount per Affordable Unit**

Level of Affordability (AMR)	Grant Amount Per Affordable Unit Per Year
91% to 100%	\$6,000
81% to 90%	\$7,000
71% to 80%	\$8,000



## REQUIREMENTS

1. A minimum of 20% of the units provided in the development, as both a proportion of overall units and by unit type, shall be affordable units rented at or below AMR for a minimum duration of 20 years. A minimum of five (5) affordable units must be provided in order for the project to qualify for the program.
2. The total yearly grant amount shall not exceed the incremental increase in property taxes. The annual grant per affordable unit will be calculated based on the level of affordability provided, and apply for a duration of 20 years.
3. The grant will be paid annually once:
  - a. The eligible project is complete;
  - b. Final building inspections have taken place;
  - c. An occupancy permit has been issued;
  - d. All deficiencies have been addressed;
  - e. The property has been reassessed by the MPAC;
  - f. The new property taxes have been paid in full for the year;
  - g. Confirmation that the units provided are in accordance with the proposal; and,
  - h. Confirmation that property taxes are paid in full and not in arrears.
4. The applicant will be required to enter into an agreement which ensures that the affordable rental units remain affordable, in accordance with the definition set out in this plan, for at least 20 years from occupancy. If the units are no longer deemed to be affordable, the grants, plus interest, will become payable to the City in full.
5. The incremental increase in property taxes generated by an eligible project shall be determined by the difference between pre- and post-project completion municipal property taxes levied as a result of the revaluation of the property by Municipal Property Assessment Corporation (MPAC).
6. Tenants for the affordable rental units at or below 80% of AMR shall be selected from the City of Ottawa's Below Market Rent (BMR) waitlist.

# 4.0 Implementation

## 4.1. Implementation Plan

The Affordable Housing CIP will be implemented through the policies of the Official Plan and Section 28 of the *Planning Act*, 1990, R.S.O. Successful implementation of the CIP will require a commitment by Council to funding. Overall implementation will be subject to Council review and approval of program details and budgetary allocation.

The CIP will be administered by the City of Ottawa's Affordable Housing Development Branch, in consultation with the Finance and Corporate Service Department. An application will be required for any person seeking financial assistance through the CIP. Application forms will be made available on the City's dedicated Affordable Housing CIP web page, and as hard copies at the City's Client Service Centres. Applications and supporting documentation will be reviewed by Housing Services staff to ensure they are complete and meet eligibility requirements.

If eligibility requirements are not met or if there is insufficient information to make a determination with respect to eligibility, staff will inform the applicant in writing. In administering the CIP, staff may request clarification or additional supporting documentation and may perform site visits and inspections as necessary.

For applications wherein the total grant value is less than \$2 million, approval authority is delegated to the General Manager of Community and Social Services. For applications wherein the total grant value is more than \$2 million, a recommendation on the application will be made by staff and forwarded to City Council for approval.

## 4.2. Financial Management

An annual budget for the CIP will be approved by Council and included in an allocated fund. The TIEG program uses the incremental increase in property taxes generated by a project to fund the incentive. Grants awarded for the TIEG Program will be absorbed by the City as lost revenue initially, but would be recouped over time in the form of overall increased property taxes and economic activity that otherwise may not have been realized without the incentives.

### 4.3. Monitoring

The Affordable Housing CIP will be monitored on an ongoing basis to track progress relative to the goal and objectives, and is structured around the following indicators:

- Number of applications received;
- Number of new affordable residential units and size of units created;
- Increase in assessment value of participating properties;
- Estimate and actual amount of municipal assistance/grants provided; and,
- Value of investment leveraged.

Information on the above-listed indicators will be collected at the individual project level and aggregated. The aggregated information will be used as the basis for annual reporting to Council. To the extent possible, annual reports will also address the environmental and social effectiveness of the Affordable Housing CIP. The annual reports are intended to be used to inform decisions related to adjustments to this CIP, as well as any budget decisions related to the incentive program.

### 4.4. Plan Amendments

Minor and technical amendments, such as the correction of typographical errors, revisions to definition and administrative details of specific programs, may be made without Council approval. The City may also discontinue any of the programs contained in this Plan without an amendment.

Major and substantive amendments may be made by amendment, in accordance with the *Planning Act*, which includes public consultation and Council approval. The following adjustments constitute a major or substantive change:

1. Modifications to the Community Improvement Project Area;
2. Addition of a new financial incentive program;
3. Changes to the types of eligible projects or an addition of a new eligible project;
4. Changes to eligibility criteria;
5. Changes to value or calculation of grant; and,
6. Increases in funding provided by the incentives contained in the CIP.



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