Document 2 – Affordable Housing Community Improvement Plan Background and Options Report Summary

The consultant, MHBC, finalized their Background and Options Report in March 2023. The main sections of the report discussed CIP frameworks, the policy and regulatory context for CIPs and affordable housing, a study area overview of the City of Ottawa's population and housing trends, a best practices scan, a summary of the financial assessment completed by SHS Consulting, and key recommendations.

The Ottawa study area overview confirmed our existing understanding of population and housing trends. The City of Ottawa is a fast-growing mid-sized city, where population increases from 2016 (8.9%) significantly outpace the provincial average (5.8%). Housing generally reflects trends observed in mid-sized cities across Canada in that the city is characterized by single-family homes that are privately owned, and the "Missing Middle" phenomenon is evident, as medium-density dwelling options and mid-rise apartment units represent some of the lowest proportions of the housing stock.

Regarding housing affordability, according to the CMHC's 2021 Rental Market Survey and supplementary Rental Market Report, approximately 20% of private households in Ottawa are spending 30% or more of their income on shelter costs and approximately 11% of owner and tenant households in private dwellings are in core housing need. A household is in core housing need if its housing does not meet one or more of the adequacy (does not require major repairs), suitability (has enough bedrooms for the size and make-up of the household) or affordability standards and it would have to spend 30% or more of its before-tax income to pay the median rent, including utility costs, of alternative local market housing that meets all three standards. Those in core housing need are predominantly renters, representing 23% of tenant households, compared to less than 5% of owner households. This suggests that the current need for affordable rental units far surpasses the need for affordable ownership units. In the affordable rental market, options remain limited as only about 15% of Ottawa's rental housing stock is considered affordable, and current vacancy rates are below 1%.

A best practice scan of Affordable Housing CIPs in seven municipalities across Ontario was also conducted to determine the different types of programs employed, the incentives offered, and the criteria used to determine eligibility. Document 3 provides a summary overview of these CIPs. A few important takeaways were that AHCIPs are a relatively new planning tool, with all being established between 2019 and 2020. AHCIP incentives are predominantly funded by property taxes and other general tax levies, and

AHCIP uptake is reliant on the allocation of staff resources to advertise and oversee the programs and incentives.

Financial Assessment – Development and Incentive Scenarios

SHS Consulting prepared a financial assessment for the City of Ottawa's AHCIP to determine how integrating affordable units into different development scenarios would impact project viability. A residual land value ("RLV") analysis was completed to determine the value of different incentives required to offset the revenue losses associated with affordable units. The results are presented as the amount of RLV loss per affordable unit in the project to allow the results to be compared to directly funding new affordable housing units. Further, the RLV loss per affordable unit was used to calculate the amount of CIP incentive required to fully offset RLV losses.

The analysis used the following three development scenarios, for both purpose-built rental and for ownership condominiums:

- A 10-storey concrete high-rise apartment building with 250 units (25 affordable units);
- A 4-storey wood framed stacked dwelling development with 50 units (5 affordable units); and
- A 3-storey wood framed ground-related townhouse development with 20 units (3 affordable units).

The RLV was calculated for each scenario without affordable units and then with 10% of units being rented at 100% of AMR and at 80% of AMR, for a period of 20 years. The unit mix follows the direction from the City's Official Plan with 60% one-bedroom, 35% two-bedroom and a minimum of 5% with three or more bedrooms. The stacked dwelling and townhouse units are assumed to be 50% two-bedroom units and 50% three-bedroom units.

Table 1: RLV Loss per Affordable Unit

RLV Loss per Affordable Unit	High-rise	Stacked Dwelling	Townhouse
10% CIP units at 100% AMR	$42,000	$49,000	$122,000
10% CIP units at 80% AMR	$95,000	$99,000	$173,000

It is important to note that the financial assessment does not determine the overall viability of constructing the modelled development scenarios. Rather, it examines the revenue losses due to the price difference between affordable units provided through the CIP and the market value of those units. In today's market, purpose built rental projects are often not financially viable to construct.

The incentives evaluated were:

- Fee waivers;
- Fee reimbursements;
- Grants;
- Low interest repayable loans;
- Tax Increment Equivalent Grants (“TIEGs”); and
- Accelerated approvals (by 6 months).

Table 2: Summary of Incentives Required to Offset RLV Loss

	Cost per Affordable Unit		
Incentive	**High-rise**	**Stacked Dwelling**	**Townhouse**
Fee waivers - 100% AMR	$42,000	$49,000	$122,000
Fee waivers - 80% AMR	$95,000	$99,000	$173,000
Fee reimbursements - 100% AMR	$49,400	$57,600	$143,500
Fee reimbursements - 80% AMR	$111,800	$116,500	$203,500
Grants	Same as waivers		
Low interest repayable loan - 100% AMR	$280,000	$326,700	$813,300
Low interest repayable loan - 80% AMR	$633,300	$660,000	$1,153,300
Tax Increment Equivalent Grant (TIEG) - 100% AMR	$140,400	$132,200	$104,200
Tax Increment Equivalent Grant (TIEG) - 80% AMR	$177,600	$173,200	$144,400
Accelerated approvals	Increased staffing costs		