



Amended Affordable Housing Community Improvement Plan

City of Ottawa

April **October** 2024

This document is a modified version of the *Affordable Housing Community Improvement Plan*, that was dated April 2024, and prepared by MHBC, Planning Urban Design & Landscape Architecture. MHBC assisted in the development and design of the program.



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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.

The City of Ottawa adopted the first iteration of the Affordable Housing CIP on May 1, 2024, when it passed By-law No. 2024-172. This Amended Affordable Housing CIP replaces and supersedes the previously approved Affordable Housing CIP.

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 **Solutions and Investments** 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 may impact the incentive program.

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.

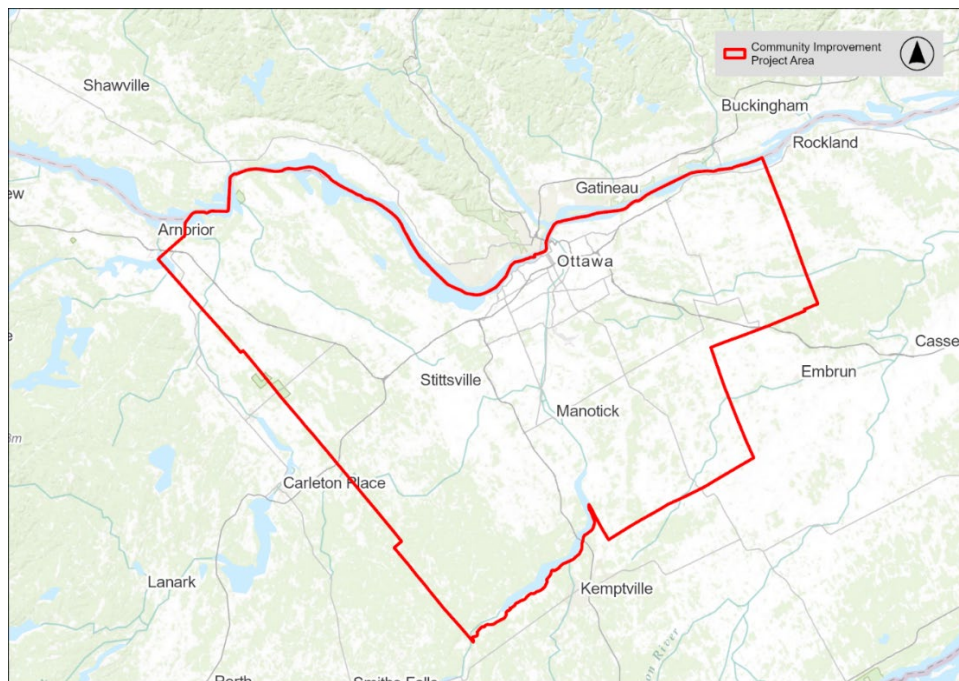


Figure 1: Community Improvement Project Area

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 access and supply of new affordable rental housing units in Ottawa as per the objectives of the 10-Year Housing and Homelessness Plan;
3. Assist in the achievement of the Official Plan's target that 20 per cent of new housing units in Ottawa are affordable;
4. Support the diversification of affordable housing units; and,
5. 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 **units housing that is** must be rented at or below Average Market Rent (AMR), as defined by the Canada Mortgage and Housing Corporation (CMHC) **in their latest Annual Market Survey, for the Ottawa portion of the Ottawa-Gatineau Census Metropolitan Area, for the entire rental housing stock, will be considered affordable. The City-wide AMR for the entire housing stock shall be used and calculated** based on the building form and unit type.
2. **AFFORDABILITY PERIOD:** Units must remain affordable for a minimum of 20 **consecutive** years. An agreement between the City and the owner (registered or assessed owners of lands/buildings) will be required, which will set out the terms, duration and default provisions of the incentive to be provided. **As permitted in the *Planning Act*, agreements will be registered on title.** The City may discontinue any financial incentive program where there is not compliance with an executed agreement. **Agreements may be amended up to two times during the 20-year term to modify the level of affordability and the annual associated grant amount per affordable unit.**
3. **NUMBER OF UNITS:** A minimum of 15 per cent of the total number of units provided in the development or redevelopment and a minimum of 15 per cent of each individual unit type must qualify as affordable (as defined herein). Where the application of the 15 per cent minimum requirement results in a numeric fraction, fractions shall be rounded down to the nearest whole number if 0.49 or under and rounded up to the nearest whole number if 0.5 or above. **In addition, ¶the development must include a minimum of five (5) units that qualify as affordable to qualify for the Affordable Housing CIP. The affordable units must be modest in size relative to industry norms, must have access to the same amenities as market units, and must be dispersed throughout the building such that the affordable units are not segregated, all to the satisfaction of the approval authority.**
4. **APPLICATION:** Applications ~~are to~~ **must** be submitted ~~after between Site Plan Control submission, if applicable, or~~ Building Permit submission and prior to the issuance of an Occupancy Permit. Applications will be reviewed by Housing **Solutions and**

Investments 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 Director of Housing **Solutions and Investments** Services. For applications wherein the total grant value is more than \$2 million, Council approval is required. Should the application be denied by the Director of Housing **Solutions and Investments** Services, the applicant may appeal to City Council as the final approval authority **by way of requesting a report be brought to the appropriate committee and Council. Once an application is approved, the applicant will have up to four years to obtain an occupancy permit for the affordable units, after which approval for the CIP TIEG program will automatically lapse and a new application will be required, subject to the program continuing to be in place and any program rules in effect at that time. While applications automatically lapse after 4 years, the City reserves the right to extend the period on a case-by-case basis, at the discretion of the City's approval authority.**

5. **MULTIPLE INCENTIVES:** The CIP **TIEG** incentive may be stacked with other **level of** government programs and funding (e.g. Canada Mortgage and Housing Corporation (CMHC) and Federation of Canadian Municipalities (FCM)). The Affordable Housing CIP incentive program **may can** also be stacked with other CIP programs offered by the City of Ottawa. When stacking with other CIPs, if the combined grant funding of all CIP programs exceeds 100 per cent of the municipal property tax uplift, only 100 per cent of the municipal property tax uplift will be paid in a given year. The grant funding will continue to be payable up to 100 per cent of the municipal property tax uplift in a given year to the maximum eligible, or until the 20-year period has been reached. Once the 20-year period has been reached, no additional payments will be made.

The CIP TIEG incentive cannot be stacked with other City programs, funding, benefits, and other incentives that relate to the affordability of units, unless otherwise approved by the City's approval authority. As such, while any previously incented affordable units in a project may be counted towards meeting the minimum unit (5) and proportion requirement (15 per cent) for the Affordable Housing CIP, TIEGs will only be provided for affordable units that are not already subject to affordability requirements under another agreement with the City and/or have not otherwise resulted in the owner receiving a benefit or incentive, such as but not limited to increased density, reduced parking, etc.

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 **and**

ongoing provision of affordable rental units by providing a yearly fixed grant for a period of 20 years, which is intended to help 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 15 per cent 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 1. The total annual grant shall not exceed 50 per cent of the incremental increase in **the municipal portion of** property taxes.

Table 1: Grant Amount per Affordable Unit

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

REQUIREMENTS

1. A minimum of 15 per cent of the total number of units provided in the development must be affordable, and a minimum of 15 per cent of each individual unit type must be affordable and rented at or below AMR for a minimum duration of 20 **consecutive** years. **Furthermore, Aa** minimum of five (5) affordable units must be provided in order for the project to qualify for the program. **Note, the affordable units must be modest in size relative to industry norms, must have access to the same amenities as market units, and must be dispersed throughout the building such that the affordable units are not segregated, to the satisfaction of the City’s approval authority.**
2. **The annual grant per affordable unit will be calculated based on the level of affordability provided and will apply for a duration of 20 years subject to ¶the total yearly grant amount shall not exceeding 50 per cent of the incremental increase in the municipal portion of in property taxes. The annual grant per affordable unit will be calculated based on the level of affordability provided and will apply for a duration of 20 years.**
3. The **initial (year one)** grant will be paid ~~annually once if the Owner or Authorized Agent have submitted a request and the following supporting documents by December 31 of the following year, for which the TIEG is being requested:~~
 - 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. All assessment appeals relating to the value of the Lands, before the additional assessment or as to the additional assessment, have been filed and decided;
- g. The new property taxes have been paid in full for the year;
- h. Confirmation that the units provided are in accordance with the **proposal agreement**; and
- i. ~~Confirmation that property taxes are paid in full and not in arrears.~~
Confirmation that the affordable units were continuously occupied (with the exception of vacancies for brief periods to accommodate a change in tenancy or in extraordinary circumstances, at the discretion of the City's approval authority) during the year.

Following the initial (year one) grant, the TIEG will be paid annually if the Owner or Authorized Agent have submitted a request and the following supporting documents by December 31 of the following year, for which the TIEG is being requested:

- a. Confirmation that property taxes are paid in full and are not in arrears;**
- b. Confirmation that the units provided are in accordance with the agreement; and**
- c. Confirmation that the affordable units were continuously occupied (with the exception of vacancies for brief periods to accommodate a change in tenancy or in extraordinary circumstances, at the discretion of the City's approval authority) during the year.**

If the Owner or Authorized Agent fails to request the annual TIEG by December 31 of the following year for which the TIEG is being requested, the City shall have no obligation to pay the TIEG for that year.

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 **consecutive** years from occupancy. **As permitted in the *Planning Act*, agreements will be registered on title. If the owner is in default of the terms of the agreement, ~~If units are no longer deemed to be affordable, the entire agreement shall terminate and the entirety of the TIEG paid grant,~~ plus **compounded** interest, will become payable to the City in full. **In such circumstance, the compounded interest shall be calculated using the Bank of Canada interest rate in effect of the year of default.****

During a tenancy, the housing provider **must** agree not to increase the rent during the affordability period by more than the prevailing rent increase guideline established for

each calendar year pursuant to the Residential Tenancies Act, 2006 or any successor legislation or the rental rates established through the agreement, whichever is less. **Staff will consider above guideline increases in specific cases, as outlined in the Residential Tenancies Act, 2006, but always at an amount such that the rent does not exceed the then current year AMR or agreed upon affordability level.** ~~However, the rent rate established through the agreement may be adjusted to the current year during unit turnover.~~ **Upon turnover, the rent for the affordable unit may be adjusted to the latest AMR at the agreed upon affordability level. Agreements may be amended up to two times during the 20-year term to modify the level of affordability and the associated annual grant amount per affordable unit.**

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). **The tax increment shall be established once, on the first-year following completion and assessment of the uplift, and forms the basis of the cap of the TIEG calculation for 20 years. The tax increment is not recalculated throughout the term, such that annual increases to property taxes have no bearing.**

Where another Community Improvement Plan is stacked with the Affordable Housing Community Improvement Plan, the Affordable Housing CIP grant **shall** be payable first.

6. Tenants for the affordable rental units at or below 80 per cent of AMR shall be selected from the City of Ottawa's Below Market Rent (BMR) waitlist. Units with rents between AMR and 81 per cent of AMR may be advertised to the general public, with **households only qualifying for the affordable unit if the unit rent represents no less than 20% of their gross household income** ~~maximum income threshold requirements.~~ **Furthermore, affordable units advertised to the public shall not be rented to the owner, shareholders, or directors of the owner or any individual at arm's length to the owner, shareholders, or directors of the owner.**

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.

The CIP will be administered by Housing **Solutions and Investments** Services staff, 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 **Solutions and Investments** 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 Director of Housing **Solutions and Investments** 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. In addition, should an application be denied by the Director of Housing **Solutions and Investments** Services, the applicant may appeal to City Council as the final approval authority **by way of requesting a report be brought to the appropriate committee and Council. Decisions by Council relating to applications are not Appealable.**

4.2. Financial Management

~~An annual budget is not proposed for the CIP.~~ The TIEG program uses up to 50 per cent of the incremental increase in **the municipal portion of** 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. **The tax increment shall be established once, on the first-year following completion and assessment of the uplift, and forms the basis of the TIEG calculation for 20 years. The tax increment is not recalculated throughout the term, such that annual increases to property taxes have no bearing. Subject to Council cancelling the Affordable Housing CIP before then, intake for** the program will run until the end of 2026, at which point staff will complete a review and report back to the next term of Council with recommendations to either cancel, amend, or continue with the Affordable Housing CIP TIEG incentive program.

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 unit types 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.

When making any amendments to the CIP, the City must pass a by-law to adopt such amendments.

This Affordable Housing CIP replaces the previous version approved by City Council on April 17, 2024, and enacted under By-law 2024-172.