

January 24, 2024



City of Kitchener
200 King Street West
PO Box 1118
Kitchener, ON N2G 4G7

Via email sent to Kitchener Clerk
Cc: Tim Donegani

Attention: Members of Council

Reference: Inclusionary Zoning – Official Plan and Zoning By-law Amendments

Build Urban has been formed by a number of development industry representatives who, through their projects, play a significant role in shaping the future urban landscape of Waterloo Region, as well as its economic prosperity. Collectively, the group’s members share a commitment to an active and progressive form of city building which can result in development of our urban areas that includes residential, commercial, and institutional land uses that are inclusive, healthy, sustainable, and vibrant for the community. As a collective, we represent 90% of core area, infill projects that are transit oriented, do not require expensive service extensions, and revitalize our communities.

By way of background, Build Urban and it’s members have been involved directly in multiple consultations with staff across Kitchener, Waterloo, and Cambridge regarding the potential impacts of the proposed Inclusionary Zoning Bylaw being present to City Council on January 29th. As part of multiple industry briefings on the proposed Inclusionary Zoning Bylaw, the following rates were set forth. Build Urban has reviewed the following set aside rates established on August 22nd 2023 and shown below.

Market Area and Set-aside Rates

Market Area and MTSA	Set Aside Rate and Date of Occupancy		
	2024-2027	2028-2030	2031+
Prime Market Areas <ul style="list-style-type: none">• University of Waterloo• Laurier - Waterloo Park• Central Station• Victoria Park/Kitchener• City Hall• Queen/Fredrick	2%	3%	5%
Established Market Areas <ul style="list-style-type: none">• Conestoga• R&T Park• Waterloo Public Square/ Willis Way• Allen• Grand River Hospital• Kitchener Market• Main• Downtown Cambridge	1%	2%	3%
Emerging Market Areas <ul style="list-style-type: none">• Northfield• Borden• Mill• Block Line• Fairway• Sportsworld• Preston• Pinebush• Cambridge Centre Mall• Can-Amara• Delta	0%	1%	2%

Moving forward in the January 12th report:

1. Numerous stations were reclassified as 'Established' or 'Prime Market Areas' without detailed justification for the changes other than a basic memorandum from the consulting firm of NBLC, without any detailed analysis, or any follow-up discussion (<https://pub-kitchener.escribemeetings.com/filestream.ashx?DocumentId=15376>) Note Pages 3 and 4 of the memorandum.

Table 1

MTSA Market Areas		
PMTSA	Municipality	Market Area
Conestoga	Waterloo	Established
Northfield	Waterloo	<i>Established</i>
Research & Technology Park	Waterloo	Established
University of Waterloo	Waterloo	Prime
Laurier	Waterloo	Prime
Waterloo Public Square / Willis Way	Waterloo	<i>Prime</i>
Allen	Waterloo	<i>Prime</i>
Grand River	Kitchener	Established
Central	Kitchener	Prime
Victoria Park / Kitchener City Hall	Kitchener	Prime
Queen / Frederick	Kitchener	Prime
Kitchener Market	Kitchener	Established
Borden	Kitchener	<i>Established</i>
Mill	Kitchener	<i>Established</i>
Blockline	Kitchener	Emerging
Fairway	Kitchener	Emerging
Sportsworld	Kitchener	Emerging

Table 1 Continued...

Preston	Cambridge	Emerging
Pinebush	Cambridge	Emerging
Cambridge Centre Mall	Cambridge	Emerging
Can-Amara	Cambridge	Emerging
Delta	Cambridge	Emerging
Main	Cambridge	Established
Downtown Cambridge	Cambridge	Established

2. The set aside rates have increased dramatically from what was being proposed in the previous table.

Table 4. Set aside Rates

Market Area	Protected Major Transit Station Area	Minimum Percentage of Gross Leasable Residential Floor Area set aside for affordable units by date of building permit issuance			
		2025-2026	2027-2028	2029-2030	2031+
Prime	<ul style="list-style-type: none"> Central Station Victoria Park/Kitchener City Hall Queen/Fredrick 	2%	3%	5%	5%
Established	<ul style="list-style-type: none"> Grand River Hospital Kitchener Market Borden Mill 	1%	2%	4%	5%
Emerging	<ul style="list-style-type: none"> Block Line* Fairway* Sportsworld* 	0%	1%	3%	5%

*Implementation timing to coincide with Growing Together East.

It would be fair to say that Build Urban is disappointed by the dramatic and material changes to these set aside rates while not being properly consulted as a key industry stakeholder as to whether these revised set aside rates are reasonable or achievable. While we understand the reason why staff is recommending an Inclusionary Zoning Bylaw to increase affordable housing supply, we respectfully request Council to consider the following given the proposed set aside rate increases:

1. The initial report by NBLC was prepared in 2020 prior to both COVID and the downturn of the market conditions and rising interest rates. There has been a serious deterioration of market conditions in the high-rise space since that time and ability to deliver housing in Kitchener and in the Waterloo Region.
2. The memorandum prepared by NBLC on September 28th did not provide detailed technical analysis to justify the changes in classification to station areas.
3. The increase of these rates and the schedule for implementation will only serve to decrease housing supply to market housing, attainable housing, and inclusionary zoning housing as these increased rates will slow down applications for new building permits.
4. Considering these material changes, proper consultation needs to occur before any IZ by-law is passed with groups such as Build Urban and the WRHBA given members of these organization deliver the much-needed housing supply in our communities.

Furthermore, the rate is to be based on date of building permit issuance. For many of our industry representatives, we have been assembling and remediating core area sites for 5+ years. It is not equitable to fundamentally change the rules which negatively affect a project's economic feasibility to a developer who has invested in the community and is working through various barriers to project advancement such as planning approvals, brownfield clean up, market uncertainty, interest rate volatility, and construction cost escalation just to name a few. We feel that the rate must be set based on date of land acquisition or establishments of a partnership or joint venture.

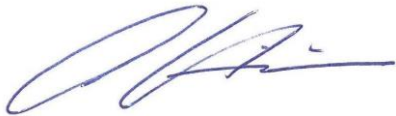
Fundamentally, our members operate in the market of land and buildings every day to provide for our families and children. We understand what impacts the cost of supply. The initial consultant's conclusion that land valuations will adjust downward to absorb this government intervention into the market was based on American market fundamentals. Land and buildings in Canada trade on very different fundamentals where most owners of land, who would consider selling to a developer for infill housing have very little leverage and are not influenced by micro changes to the market. The impact of this regulatory change will result in the immediate slowdown of the production of housing. When we do produce housing units eventually, it will be at a greater cost. These costs will be born by the buyers of the condominium units and the renters of apartments, not by the developers.

In summary, Build Urban understands the importance of affordable housing but these policies do not reflect our input on how more of it can be built. As the policy is written today, it will dramatically

influence the delivery of the balance of housing typologies in the middle and high end of the marketplace.

We would invite further consultation with staff and Council before any final recommendation is accepted.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'S. Higgins', written in a cursive style.

Scott Higgins,
On behalf of Build Urban