

Dianna Saunderson

From: [REDACTED]
Sent: Thursday, December 12, 2024 5:18 PM
To: Delegation
Subject: Comment on Inclusionary Zoning for 16Dec2024 Council Meeting
Attachments: HJaeger IZ delegation at PSIC Dec 2 2024 with additional analysis .pdf

Greetings, Council.

Please find attached a copy of my delegation on Inclusionary Zoning (IZ) at the December 2, 2024 PSIC meeting.

I asked that you kindly estimate the anticipated impact of bringing in IZ in 2025 before taking your decision, as the NBLC and Staff Report speak to some of the macro environment but do not address the impact of recent policy aimed specifically at development.

To assist in your work, I now offer, on Pages 8 and 9, an analysis of the impact of IZ relative to other government initiatives on Purpose Built Rental Housing (PBRH). I have considered two examples – a 50-unit and a 1,000-unit build. You will note that the net package of incentives overwhelmingly supports development and that the proposed Year 1 IZ requirement is exceedingly minor in comparison to the other incentives. I recognize that further study is needed to understand the impact on the condo market.

This returns me to my original ask: Please estimate the anticipated impact of bringing in IZ in 2025 prior to taking your decision. While the macro economic concerns are of interest, they are insufficient to a meaningful understanding of needed municipal policy.

I recommend securing a fulsome Staff Report that considers the costs and incentives before deviating from the plan of March 2024.

Thank you,

Hal Jaeger
[REDACTED]



Virus-free. www.avg.com

Greetings, Council. My name is Hal Jaeger.

I was so pleased when Kitchener adopted Inclusionary Zoning in March of this year. As I continue to acknowledge that IZ alone will not solve our affordable housing crisis, I likewise appreciate Council and Staff's work on the rental replacement and lodging house bylaws, among other measures. And I look forward to Kitchener's renoviction bylaw.

Please implement Inclusionary Zoning (IZ) in 2025

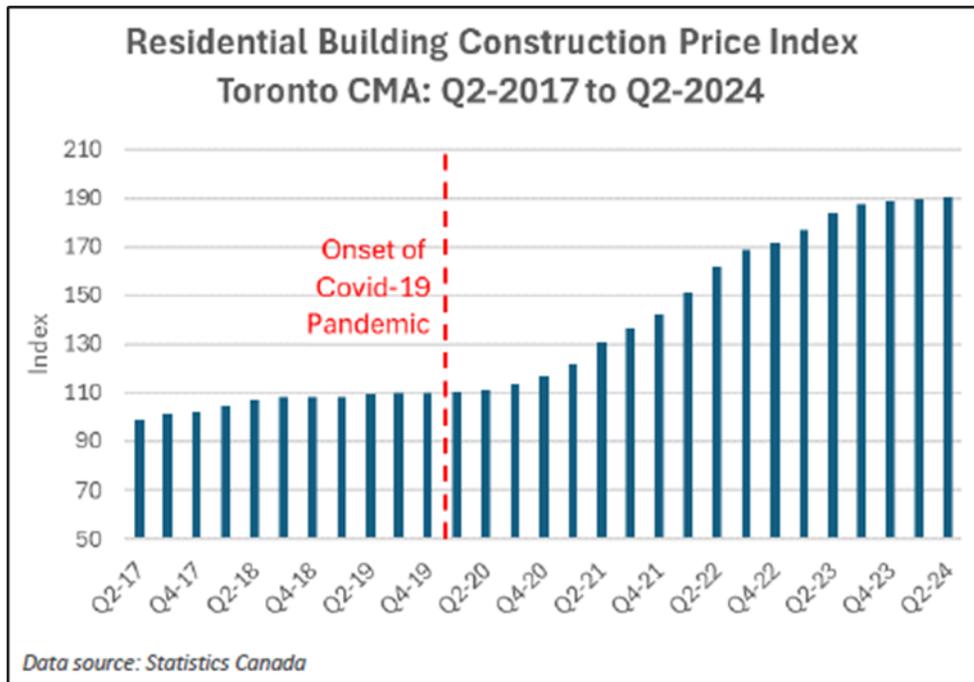
Appeal re: Staff Report DSD-2024-498

Hal Jaeger
December 2, 2024

But I am saddened to see Staff Report DSD-2024-498 recommend delaying implementation of our IZ program. I will leave it to others to *re-assert* the need for more affordable housing -- if such arguments are still needed. Today, I have come to you to address the persistent concerns about IZ and request that you please implement Inclusionary Zoning in 2025.

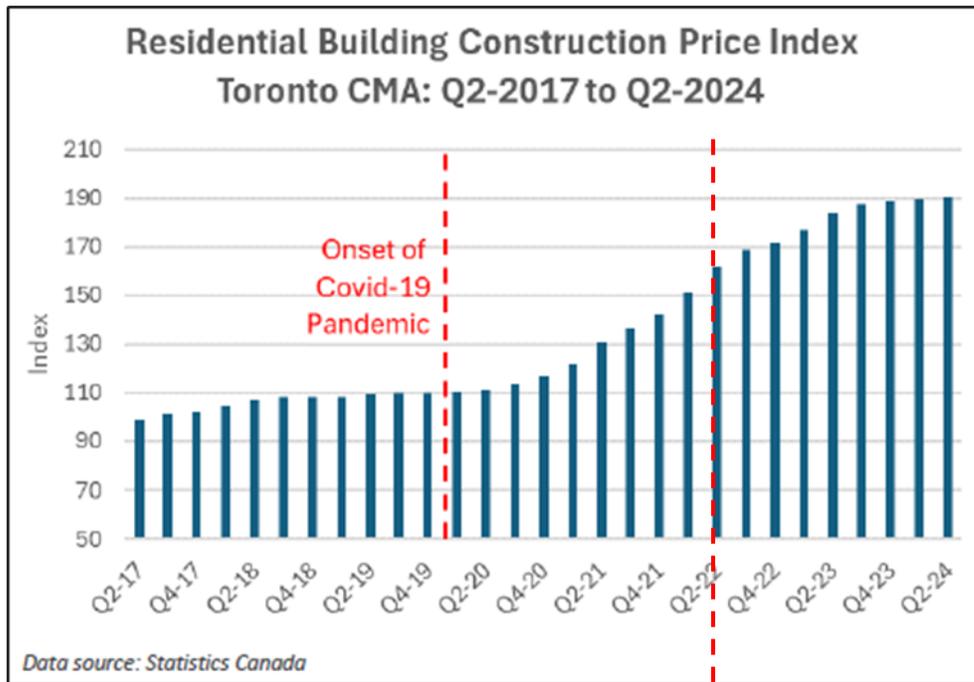
Regarding the cry that IZ unfairly burdens developments inside the Protected Major Transit Station Areas with what should be a government concern, I say again that only lands within the PMTSAs were upzoned so extensively under Growing Together. These lands also benefitted from substantial market uplift after the public investment in the ION.

As to the concern that implementing IZ in 2025 will stifle development, I ask that we please look further into the evidence.



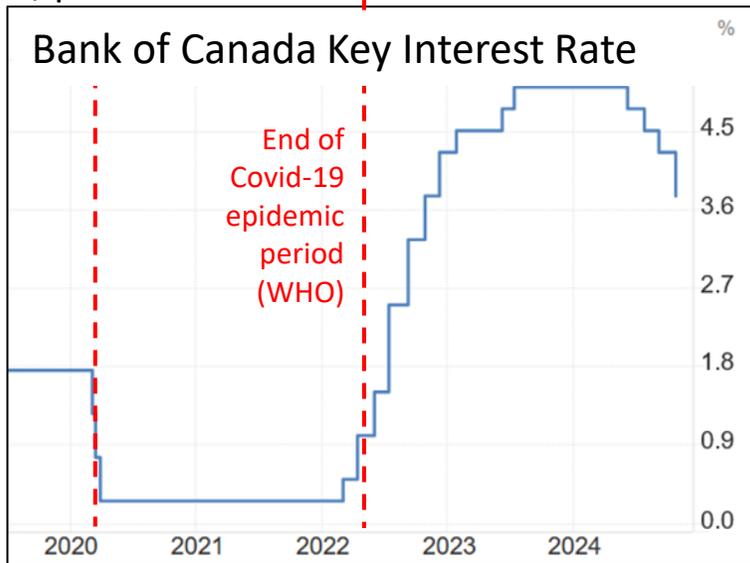
Source: NBLC Report, p. 7

The Staff Report leans on the work of outside consultant NBLC. The NBLC report rightfully speaks to the general market pressures on the development industry following the onset of Covid. It shares this chart on residential construction costs in Toronto.



Source: NBLC Report, p. 7

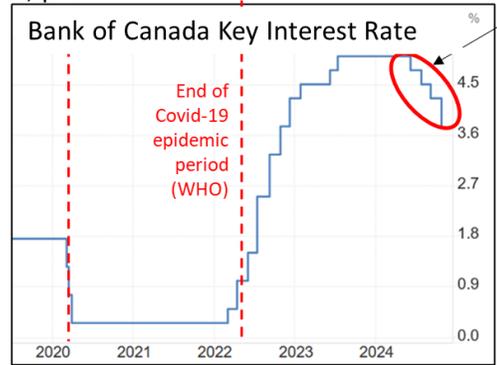
*We can refine our understanding by bringing in a chart of interest rates.
And by noting the end of the Covid epidemic period.*



Source: <https://tradingeconomics.com/canada/interest-rate>



Source: NBLC Report, p. 7



Source: <https://tradingeconomics.com/canada/interest-rate>

Please note:

1. Construction costs levelled off by the end of Q4 2023.
2. Interest rates have dropped after the period assessed on construction pricing.

“The Bank of Canada lowered the overnight rate to 4.75% in June 2024, followed by another reduction in July and again in October. ... the timeline for a rebound remain remains (sic) uncertain.”

NBLC report, p.6

We can now see that

1. *Construction costs levelled off by the end of Q4 2023 and*
2. *Interest rates dropped in 2024 after the period assessed in the NBLC chart of rising construction prices.*

As rising interest rates contributed significantly to construction costs, falling interest rates, and the re-stabilization of supply chains, are expected to further stabilize or reduce construction costs in the near future.

Municipal, Provincial and Federal Discounts

- Affordable Housing Parkland Dedication Fee Exemption
- Affordable Housing Development Charge Fee Exemption
- Provincial Development Charge discounts for Purpose Built Rentals
- Removal of HST on Purpose Built Rental Construction
- Federal Rental Construction Financing Initiative Loan Program

We can further refine our understanding by recalling all the subsidies being extended by all levels of government

Before taking a decision, please...

1. Determine the anticipated impact of implementing IZ in 2025,
and
2. Take into account where the market is today and the best understanding of where the market is headed.

Thank you

So, I'll keep my ask simple.

1. *Please take this time between today's Committee meeting and the Council meeting to estimate the anticipated impact of bringing in IZ in 2025. How does the IZ requirement compare against the impact of interest rates? How does it compare against the impact of working under Covid regulations and the ensuing supply chain disruptions? But more importantly, under any framework of analysis, is implementing IZ really going to impede development? Whether you see development stalling in the next few months or whether you see an imminent recovery, can we please acknowledge that the cost of IZ is trivial in comparison to the macro impacts we are facing?*
2. *Please also take into account where the market is today and the best understanding of where the market is headed, as opposed to navigating our path forward via the rear-view window.*

Thank you.

Additional data gathered after
December 2, 2024 PSIC Meeting

Impact of IZ and relative to other incentives on Purpose Built Rental Housing (PBRH)

in Year 1 of Kitchener's IZ program as per March 2024 Council decision

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Sample Scenario Assumptions

1. 50-unit PBRH building in a "Prime" PMTSA with 2% set-aside rate
2. All units are 2-bedroom, 900 SF
3. \$18,306,000 construction cost, not including parking
(50 units * 900 SF/unit * 1.2 to account for common areas * \$300/SF * 1.13 HST)
4. \$322,050 parking construction cost for surface lot with 30 parking spaces
((\$25/Square Foot * 11,245 Square Feet * 1.13 HST)

Source

[P. 5, 2024 Canadian Cost Guide](#)

[P. 5, 2024 Canadian Cost Guide](#)

Incentive	\$/unit	IZ units	Non IZ units	\$	Base data year, if applicable
Financial Incentives					
Development Charge exemption on IZ unit (1)	28,443	1		28,443	2022
Park dedication Fees exemption on IZ unit (2)	2,020	1		2,020	2022
20% discount on development charges on PBRH (3)	5,689		49	278,741	
HST rebate (based on construction cost) (4)				2,143,050	
Preferential CMHC funding and financing (yet to be determined) (5)				?	
Subtotal				2,452,254	
Revised Planning Initiatives					
Savings from eliminating minimum parking regulations (not including HST) (6)				281,125	2023
Upzoning under Growing Together (yet to be determined)				?	
Total savings to developers				2,733,379	
Impact of IZ					
Maximum IZ rent (7)	1,454				2022
"Market Rate" Rent = IZ rate/0.8. (8)	1,818				2022
Monthly reduction in gross revenue (market rate - IZ rate)	364	1		364	2022
Approximate lifetime reduction in revenue (monthly cost * 12 months/year * 25 years)	109,050	1		109,050	2022

Notes. (1), (2) [P. 50, IZ Policy and Program Directions](#). (3) [Bill 23, Schedule 3, Section 8 \(2\)](#). (4) <https://djb.com/2023/09/removal-of-gst-on-purpose-built-rentals-in-canada/> (5) <https://www.cmhc-schl.gc.ca/professionals/project-funding-and-mortgage-financing> (6) Tim Donegani, at PSIC, 2Dec2024, 'the elimination of minimum parking requirements permits developments to reduce parking to 0.5 spaces/unit.' See also Assumption 4, above. (7) [P. 34, IZ Policy and Program Directions](#). (8) Rent may not be discounted more than 20%, as per Provincial proposed Regulations. <https://ero.ontario.ca/notice/019-6173>

Impact of IZ and relative to other incentives on Purpose Built Rental Housing (PBRH)

in Year 1 of Kitchener's IZ program as per March 2024 Council decision

DRAFT

Sample Scenario Assumptions

1. 1000-unit PBRH building in a "Prime" PMTSA with 2% set-aside rate
2. All units are 2-bedroom, 900 SF
3. \$410,054,400 construction cost, not including parking
(1000 units * 900 SF/unit * 1.12 to account for common areas * \$360/SF * 1.13 HST)
4. \$42,375,000 parking construction cost for 500 spaces, 1/2 in podium, 1/2 below grade
(\$75,000/parking space * 500 spaces * 1.13 HST)

Source

[P. 5, 2024 Canadian Cost Guide](#)

[P. 48, Inclusionary Zoning Policy and Program Directions](#)

Incentive	\$/unit	IZ units	Non IZ units	\$	Base data year, if applicable
Financial Incentives					
Development Charge exemption on IZ unit (1)	28,443	20		568,860	2022
Park dedication Fees exemption on IZ unit (2)	2,020	20		40,400	2022
20% discount on development charges on PBRH (3)	5,689		980	5,574,828	
HST rebate (based on construction cost) (4)				52,049,400	
Preferential CMHC funding and financing (yet to be determined) (5)				?	
Subtotal				58,233,488	
Revised Planning Initiatives					
Savings from eliminating minimum parking regulations (not including HST) (6)				37,500,000	2022
Upzoning under Growing Together (yet to be determined)				?	
Total savings to developers				95,733,488	
Impact of IZ					
Maximum IZ rent (7)	1,454				2022
"Market Rate" Rent = IZ rate/0.8. (8)	1,818				2022
Monthly reduction in gross revenue (market rate - IZ rate)	364	20		7,270	2022
Approximate lifetime reduction in revenue (monthly cost * 12 months/year * 25 years)	109,050	20		2,181,000	2022

Notes. (1), (2) [P. 50, IZ Policy and Program Directions](#). (3) [Bill 23, Schedule 3, Section 8 \(2\)](#). (4) <https://djb.com/2023/09/removal-of-gst-on-purpose-built-rentals-in-canada/> (5) <https://www.cmhc-schl.gc.ca/professionals/project-funding-and-mortgage-financing> (6) Tim Donegani, at PSIC, 2Dec2024, 'the elimination of minimum parking requirements permits developments to reduce parking to 0.5 spaces/unit.' See also Assumption 4, above. (7) [P. 34, IZ Policy and Program Directions](#). (8) Rent may not be discounted more than 20%, as per Provincial proposed Regulations. <https://ero.ontario.ca/notice/019-6173>