City of Waterloo Zone Change Application: Z-24-20

Wards 3, 4, 6 and 7

Prepared For: Circulation **Prepared By: Douglas Stewart, MCIP, RPP** douglas.stewart@waterloo.ca **Date: January 6, 2025**	**INCLUSIONARY ZONING BY-LAW AMENDMENT** **City of Waterloo Zone Change Application: Z-24-20** Wards 3, 4, 6 and 7

APPLICANT:

City of Waterloo

LOCATION:

City wide within Protected Major Transit Station Areas

PRIME - University of Waterloo, Laurier - Waterloo Park, Waterloo Public Square, Willis Way, Allen.

ESTABLISHED - Conestoga, Research & Technology Park, Northfield

Attachment No. 1 – Map of Protected Major Transit Station Areas

PURPOSE:

Amend By-law No. 2018-050 being a Zoning By-law controlling land use development within the City of Waterloo as it relates to two specific sections related to Inclusionary Zoning.

Specifically, modify the date of when the Set Aside Rates are to be implemented from March 31, 2025, to January 1, 2026 (Section 3.1.2.c), and to delete that a by-law would be required to enforce maximum rent to be charged. (Section 3.1.2. e).

DRAFT PROPOSED ZONING BY-LAW SECTIONS:

1. AMEND Section 3.1.2 c) so that it would read as follows:

"Commencing on ~~***March 31, 2025***~~***, January 31, 2026****, on a LOT that is located within a MAJOR TRANSIT STATION AREA as identified on Schedule 'A2' of this BY-LAW, a percentage of GROSS LEASIBLE RESIDENTIAL FLOOR AREA shall be set aside for AFFORDABLE DWELLING UNITS in accordance with Table 3C-*

2, net any rental replacement DWELLING UNIT required under an applicable Rental Replacement By-law."

The date of implementation would align with understanding of current market conditions.

2. AMEND Section 3.1.2 e) so that it would read as follows:

"The maximum rent that shall be charged for Inclusionary Zoning AFFORDABLE DWELLING UNITS will be determined annually by the CITY ~~***by by-law***~~*, in consultation with the REGION, and according to the following procedure:"*

The maximum rent to be charged would remain but would not require a by-law to enforce.

BACKGROUND

On June 24, 2024, Council approved a framework to create an Inclusionary Zoning ("IZ") framework in the city. Official Plan Amendment No. 50 is now in force, and Zoning By-law Amendment 2024-058 is in effect, which set the framework for IZ. As approved by Council, one final analysis of the local real estate market is required before potentially launching IZ in March 2025.

Staff have been working in collaboration with the cities of Kitchener and Cambridge, the Region of Waterloo ("the Municipalities") and the industry to monitor local market conditions.

On behalf of the Municipalities, N. Barry Lyon Consultants (See attached) prepared a report analyzing the local market conditions for high-rise residential development within Protected Major Transit Station Areas (PMTSA) and advised that the economics for development have become more challenging compared to five years ago, with development activity generally not being economically viable.

N. Barry Lyons have noted that the implementation of Inclusionary Zoning at this time could further delay the recovery of the residential construction market within PMTSA and exacerbate current challenges in delivering housing within these areas.

The findings indicated the economic landscape for high-density residential development in PMTSAs has become significantly more challenging compared to five years ago. Key indicators include:

- Strong population growth in the region, primarily from non-permanent residents. However, recent federal policy changes may slow or even reverse this growth.

- Rising interest rates and high construction costs have reduced the feasibility of new housing projects.

- New condominium sales are sluggish due to compressed demand, with the resale market offering more attractive options to homebuyers; and,

- Despite low vacancies, rental prices have stagnated due to a record number of completions last year and the recent decrease in international student visas.

The report concluded that implementing the Inclusionary Zoning Set Aside rates in 2025 as planned could further delay the recovery of the residential construction market within Protected Major Transit Areas and exacerbate current challenges in delivering housing within these areas. Staff do not disagree with the analysis of the market conditions and will be recommending to Council in a forthcoming staff report that the implementation of the set aside rates be deferred until January 1, 2026.

PUBLIC POLICIES OVERVIEW

Inclusionary Zoning is one part of the many initiatives the city is implementing related to Affordable Housing.

The Planning Act and the Provincial Planning Statement sets out the provincial framework for Inclusionary Zoning.

Regional Official Plan sets out the boundaries and land use designation for Protected Major Transit Station Areas.

City of Waterloo approved and the adopted but not approved Official Plans sets out the boundaries and land use designations for Major Station Transit Areas. Approved Official Plan (OPA No. 50) Section 3.81 and Schedule 'J'.

City of Waterloo Zoning By-law 2018-050 as amended by By-law 2024-058 implements the Official Plan for Inclusionary Zoning.

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Attachment No. 1

