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RE: South March Lands, Ottawa - City of Ottawa Land Needs Analysis - Peer Review

Parcel Economics Inc. ("Parcel") has been retained by the South March Landowners Group, which includes Claridge Homes (Second Line) Inc., Claridge Homes (1221 March Road) Inc., 2721334 Ontario Limited, Mattamy (Kanata North) Limited, Minto (Old Carp Road) Inc., Second Line Regional Inc., Kanata North Regional Inc., and Uniform Urban Developments Ltd. The purpose of our retainer has been to provide an independent peer review the methodology used by Novatech in assessing land needs in the City of Ottawa to accommodate residential growth to 2046.

Background

As part of the City of Ottawa's New Official Plan, a *Residential Growth Management Strategy* ("GMS") was prepared by city staff in March 2020. The purpose of the GMS, among other things, was to identify the amount of residential land that would be required in Ottawa to accommodate growth between 2018 and 2046. Ultimately, the GMS recommended the city adopt the "balanced scenario" to accommodate residential growth to the year 2046. This included accommodating 51% of new urban residential units within the built-up area ("BUA") of the City. This resulted in the need to expand the City of Ottawa Urban Boundary to accommodate an additional 1,281 hectares of land for residential development.

The Urban Boundary expansion identified in the GMS is based on a need to accommodate 194,800 new dwelling units within the City of Ottawa between 2018 and 2046. These household growth forecasts are based on the *Growth Projections for the New Official Plan: Methods and Assumptions for Population, Housing and Employment 2018 to 2046*, prepared in November 2019 (the "City of Ottawa 2019 Growth Forecasts").

Context

In December 2023, Novatech updated the land needs analysis contained in the GMS. The purpose of this update was to determine how much residential land would be required in the City to 2046 based on more recent population forecasts prepared by the Ontario Ministry of Finance in Summer 2023.

In completing our Peer Review of the Novatech land needs analysis, we have considered three key themes, including:

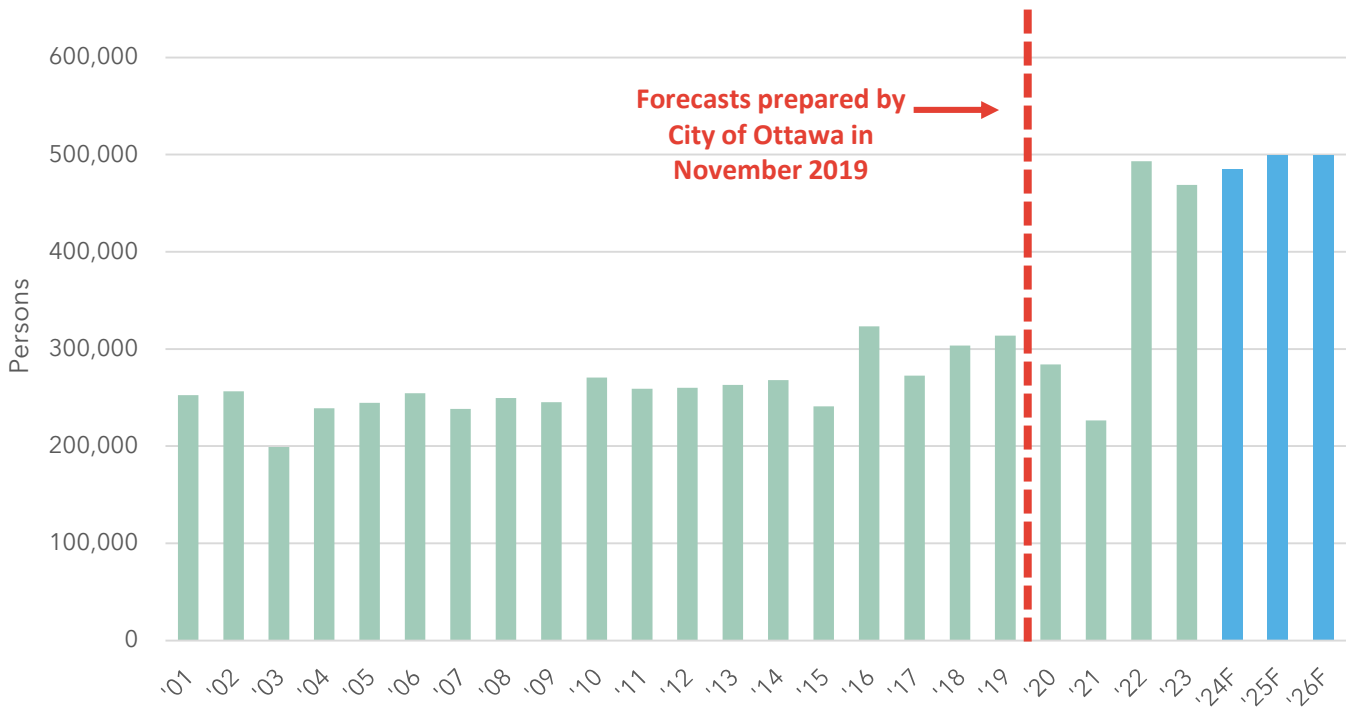
1. The appropriateness of using the recent Ministry of Finance forecasts;
2. The need for housing in the city to 2046, based on the Ministry of Finance forecasts; and,
3. Determination of residential land needs to 2046.

Ministry of Finance Forecasts

In preparing their updated land needs analysis, Novatech rely on population forecasts recently prepared by the Ontario Ministry of Finance in Summer 2023. The rationale for using these recent Ministry of Finance forecasts was related to the significant changes that have occurred since the City of Ottawa released their forecasts in November 2019.

The most significant change relates to recent rates of immigration to Canada and the Federal immigration targets, both of which have increased substantially in recent years and resulted in Canada experiencing unprecedented population growth. In the 20-years prior to the preparation of the population forecasts by the City of Ottawa, Canada welcomed approximately 260,000 international immigrants per year. The level of international immigration increased to 480,000 new residents per year between 2021 and 2023, with the Federal Government now targeting 500,000 international immigrants per year starting in 2024, as shown in Figure 1.

Figure 1
International Migration to Canada

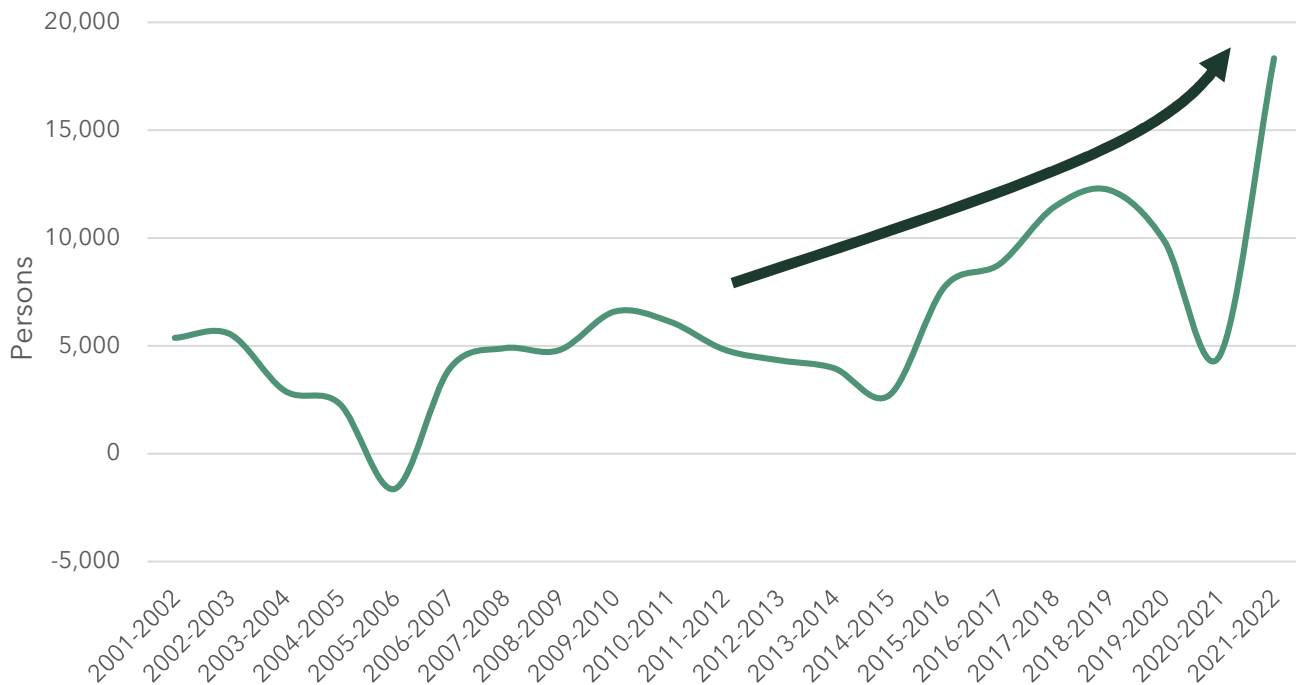


Source: Parcel based on Statistics Canada (green) and Federal immigration targets (blue).

Increased migration to Canada is being felt in the City of Ottawa. As shown in Figure 2, net international migration accounted for the largest share of population growth in the city and has been trending higher, aside from a dip in 2020 associated with the COVID-19 pandemic. Similarly, the nation-wide increase in international immigration in 2022 (as shown previously in Figure 1), also resulted in an increase in net international migration to Ottawa during the same period. The elevated international migration targets in Canada are likely to contribute towards elevated population growth in Ottawa going forward.

Figure 2

City of Ottawa, Net International Migration

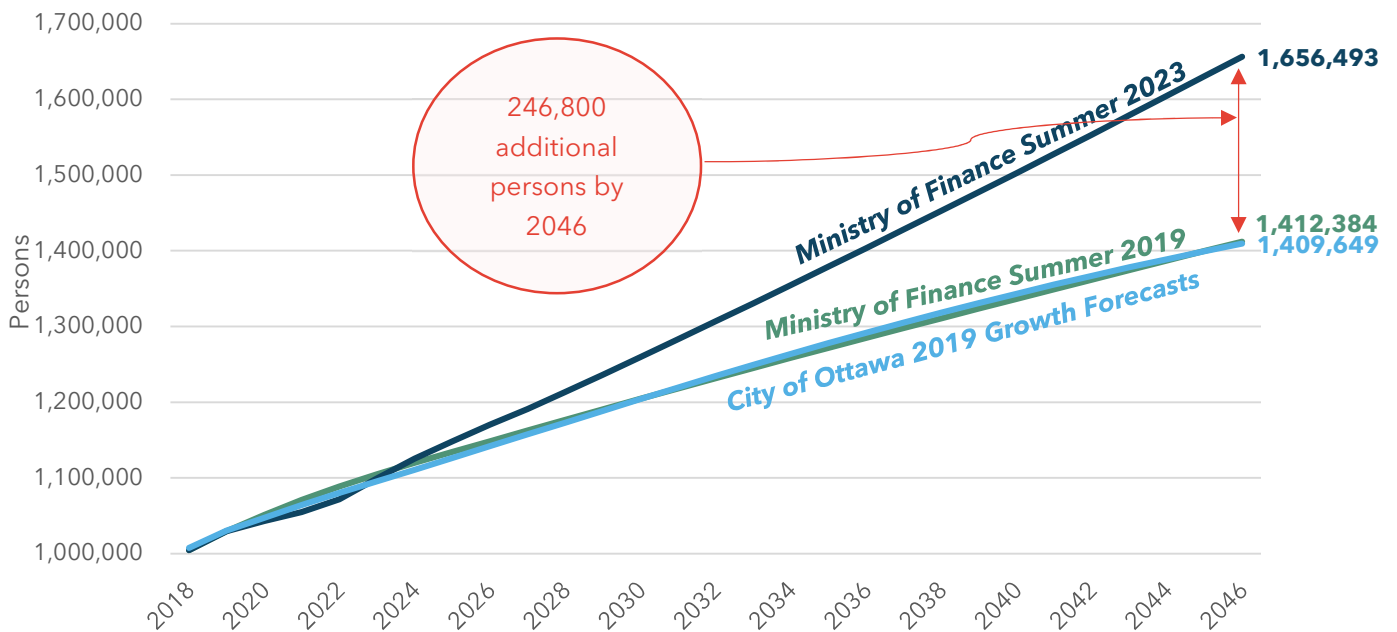


Source: Parcel based on Statistics Canada data.

The Ontario Ministry of Finance prepares population forecasts for the province and each of the 49 Census Divisions annually. The most recent forecasts were prepared in Summer 2023 and forecast a population of 1.66 million persons in the City of Ottawa by 2046. **This is approximately 246,800 persons more** than the population forecasts contained in the City of Ottawa 2019 Growth Forecasts, as shown in Figure 3.

It is also important to note that the population forecast prepared by the Ontario Ministry of Finance in Summer 2019 (around the same time the Ottawa 2019 Growth Forecasts were prepared), forecast a population of 1.4 million persons in the City of Ottawa by 2046. The Ministry of Finance Summer 2019 forecasts are nearly the same as the forecasts prepared by the City in 2019 (difference of only 2,735 persons by 2046). **As the Ministry of Finance has revisited their population forecasts to recognize increased immigration to Canada, the City of Ottawa should be taking the same approach to help address the housing crisis.**

Figure 3
City of Ottawa Population Forecast, 2018-2046



Source: Parcel based on Ontario Ministry of Finance Annual Population Projections, various years.

As the Ontario Ministry of Finance now anticipates significantly more growth in the City of Ottawa, the same approach should be considered when evaluating land needs to 2046. Therefore, although the City of Ottawa 2019 Growth Forecasts are only five years old, the increase in international migration to Canada and the large share of immigrants settling in Ontario and the Ottawa Region has had a significant impact on population forecasts. **The Province has an opportunity to be proactive by addressing these lands needs now, rather than when the forecasts are updated as part of the next Official Plan Review.**

Conclusion

We agree with the use of the Ontario Ministry of Finance Summer 2023 population forecasts when assessing land needs in the City of Ottawa to 2046. The forecasts prepared by the City of Ottawa in 2019 are outdated and do not take into account recent changes in Federal immigration targets that are impacting the need for housing.

Household Growth Forecasts

In forecasting household growth in the City of Ottawa, the Novatech updated land needs analysis applies a persons per unit (“PPU”) factor to the forecast population growth in the City. The PPU factor utilized by Novatech is based on the factor in the City of Ottawa GMS, which is estimated at 2.064 persons per unit. This resulted in Novatech forecasting dwelling unit growth of 314,700 new units to accommodate population growth between 2018 and 2046.

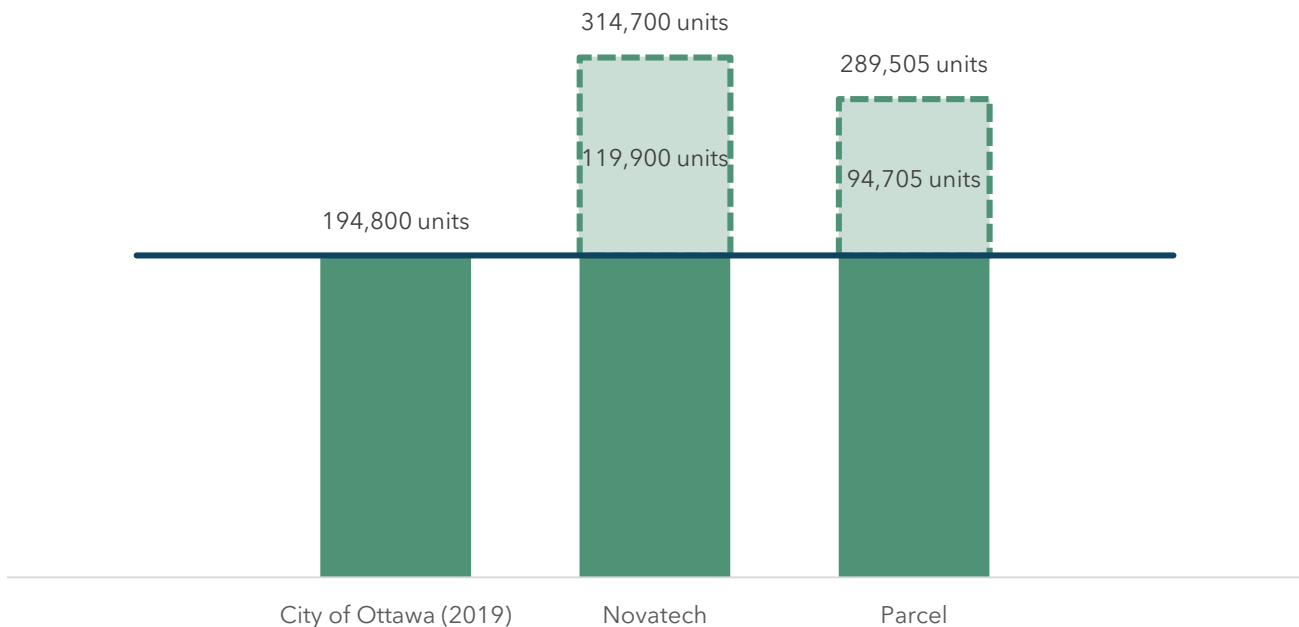
While the approach used by Novatech is one method to estimate future demand for housing, another approach to forecasting household growth involves applying headship rates to the population growth forecasts by age cohort. Where headship rates are defined as the share of the population by age cohort that are considered the “head of the household”. This approach is outlined in the *Projection Methodology Guideline: A Guide to Projecting Population, Housing Need, Employment and Related Land Requirements*, 1995, Province of Ontario and the more recent *A Place to Grow, Growth Plan for the Greater Golden Horseshoe, Land Needs Assessment Methodology for the Greater Golden Horseshoe (2020)*. This is consistent with the approach used in the City of Ottawa 2019 Growth Forecasts, which relies on applying headship rates to population growth forecasts that were prepared in 2019.

In forecasting dwelling unit growth in the City of Ottawa between 2018 and 2046, we have relied on the methodology used in the City of Ottawa 2019 Growth Forecasts, which includes applying headship rates by five-year age cohort to the Ministry of Finance population forecasts to determine total household growth. We have also applied the dwelling type propensities by age cohort that were utilized in the City of Ottawa 2019 Growth Forecasts to determine demand for housing by age group and dwelling type (single-detached, semi-detached, row and apartment units).

Consistent with the approach used in the City of Ottawa 2019 Growth Forecasts, we have also applied an adjustment factor to account for the demolitions and vacancies. These adjustment factors are consistent with the methodology outlined in *A Place to Grow, Growth Plan for the Greater Golden Horseshoe, Land Needs Assessment Methodology for the Greater Golden Horseshoe (2020)*. Therefore, the only difference between the forecasts prepared by the City of Ottawa in 2019 and our forecasts are the use of the updated Ministry of Finance Summer 2023 forecasts, which now anticipate that Ottawa will grow to 1.66 million persons by 2046.

Based on our analysis, the City of Ottawa would need to accommodate 289,505 new dwelling units between 2018 and 2046. This is higher than the City of Ottawa 2019 Growth Forecasts, which estimates the need for 194,800 new units, but lower than the forecast by Novatech, which estimate the need for 314,700 new units, as shown in Figure 4. Therefore, based on the analysis by both Parcel and Novatech, the City of Ottawa will need substantially more housing to accommodate growth to 2046.

Figure 4
 City of Ottawa Dwelling Unit Growth Forecasts, 2018-2046



Source: Parcel based on Growth Projections for the New Official Plan: Methods and Assumptions for Population, Housing and Employment 2018 to 2046, prepared in November 2019 and Novatech analysis.

Conclusion

Utilizing the Ministry of Finance population forecasts and the headship rate methodology, we forecast the need for 289,505 new dwelling units in the City of Ottawa between 2018 and 2046. While this is less than the household growth forecasts prepared by Novatech, it is 94,705 units more than forecast in the City of Ottawa 2019 Growth Forecasts. By comparison, the South March lands could accommodate 3,100 to 4,000 new homes, or 3% to 4% of this additional need for housing.

City of Ottawa Land Needs to 2046

In addition to forecasting household growth, we have considered the need for an Urban Boundary expansion to accommodate demand to 2046. In estimating residential land needs, we have relied on the approach utilized by the City in the GMS and Novatech in the December 2023 land needs analysis.

Assumptions utilized in our analysis include:

- Accommodating 13,000 units in the Rural Area;
- An intensification target of 51%;
- Net residential densities of 25 units per hectare (“uph”) for single-detached units, 35.6 uph for semi-detached units, 50.6 uph for row units and 92.4 uph for apartment units; and,
- A 50% net to gross ratio

Based on these assumptions, we arrive at an estimated need to expand the Ottawa Urban Boundary to accommodate an additional 3,388 gross hectares. This is 2.5x larger than the 1,281-hectare expansion identified in the City of Ottawa GMS. Detailed tables are included in the Appendix to this letter.

We consider our estimated land needs to be very conservative, as it utilizes a BUA unit distribution that is consistent with the City of Ottawa GMS. This would require the City to accommodate approximately 36,000 single and semi-detached units within the BUA of the municipality. To put this in perspective, the “no expansion scenario” included in the GMS estimated the need to accommodate 31,400 single and semi-detached units within the BUA. In the GMS, the City reached the conclusion that:

The No Expansion scenario is an extremely ambitious and unlikely scenario. Although it meets the Official Plan growth management policy direction of achieving the majority growth through intensification the scenario is too ambitious within the time period of the new Official Plan to accommodate the number of necessary ground-oriented dwellings through intensification. (emphasis added) (p.33)

Therefore, allocating an even larger number of single and semi-detached units to the BUA in comparison to the “no expansion scenario” is not reasonable. To achieve the 51% intensification target, the city will need to shift a larger share of apartment growth to the BUA. Our “alternative scenario” utilizes this approach. Based on our alternative approach, the city would accommodate 20,900 single and semi-detached units within the BUA, consistent with the “balanced scenario” in the GMS, with the remaining units within the BUA being row and apartment units. Based on this alternative scenario, the city would be required to expand the Urban Boundary to accommodate 4,274 hectares of residential land. This is generally consistent with the Novatech analysis, which estimated the need for an additional 4,532 hectares of residential land to accommodate growth to 2046.

Conclusion

Based on our land needs analysis, which is generally consistent with the City of Ottawa GMS, the Ministry of Finance population forecasts would result in the need to expand the City of Ottawa Urban Boundary to accommodate an additional 4,274 hectares of residential lands. This is over 3-times more land than anticipated in the City of Ottawa GMS.

Summary

Based on our peer review of the Novatech land needs analysis, we agree with the approach of using the Ministry of Finance Summer 2023 population forecasts as these forecasts reflect recent changes to migration, as well as current Federal immigration targets. This is on comparison to the forecasts prepared by the City of Ottawa in 2019, which are now outdated and do not reflect current demand for housing. While we have taken a different approach to forecasting household growth, in comparison to the Novatech analysis, we have arrived at a similar land need. This includes the need to expand the Urban Boundary to accommodate an additional 4,274 hectares of residential land.

The South March lands, which collectively comprise 175 hectares, will be important in addressing this forecast shortfall. **The Province has an opportunity to be proactive by addressing these lands needs now, rather than when the forecasts are updated as part of the next Official Plan Review.**

Sincerely,

Parcel

Parcel Economics Inc.



Craig Ferguson

Principal



Appendix:
City of Ottawa Land Needs

Figure A. 1

Parcel Economics - Baseline Scenario

| | Single-Detached | Semi-Detached | Row | Apartment | Total |
|--------------------------------------|-----------------|---------------|--------|-----------|---------|
| City-wide Demand | 90,914 | 13,329 | 95,934 | 89,328 | 289,505 |
| Rural Demand | 11,500 | 200 | 900 | 400 | 13,000 |
| Urban Demand | 79,414 | 13,129 | 95,034 | 88,928 | 276,505 |
| Built-up Area | | | | | |
| Built-up Area Share | 21% | 4% | 29% | 45% | 50.7% |
| Built-up Area Demand | 30,026 | 6,020 | 41,122 | 62,910 | 140,077 |
| Greenfield | | | | | |
| Greenfield Demand | 49,388 | 7,110 | 53,913 | 26,017 | 136,427 |
| Greenfield Supply | 27,900 | 1,400 | 30,400 | 6,600 | 66,300 |
| Shortfall in Greenfield Units | 21,488 | 5,710 | 23,513 | 19,417 | 70,127 |
| Unit Density (uph) | 25.0 | 35.6 | 50.6 | 92.4 | |
| Net Expansion Area | 860 | 160 | 465 | 210 | 1,695 |
| Net to Gross | | | | | 50% |
| Gross Land Area Required (ha) | | | | | 3,389 |

Figure A. 2

Parcel Economics - Alternative Scenario

| | Single-Detached | Semi-Detached | Row | Apartment | Total |
|--------------------------------------|-----------------|---------------|--------|-----------|---------|
| City-wide Demand | 90,914 | 13,329 | 95,934 | 89,328 | 289,505 |
| Rural Demand | 11,500 | 200 | 900 | 400 | 13,000 |
| Urban Demand | 79,414 | 13,129 | 95,034 | 88,928 | 276,505 |
| Built-up Area | | | | | |
| Built-up Area Share | | | | | 50.7% |
| Built-up Area Demand | 16,800 | 4,100 | 38,500 | 80,677 | 140,077 |
| Greenfield | | | | | |
| Greenfield Demand | 62,614 | 9,029 | 56,534 | 8,250 | 136,427 |
| Greenfield Supply | 27,900 | 1,400 | 30,400 | 6,600 | 66,300 |
| Shortfall in Greenfield Units | 34,714 | 7,629 | 26,134 | 1,650 | 70,127 |
| Unit Density (uph) | 25.0 | 35.6 | 50.6 | 92.4 | |
| Net Expansion Area | 1,389 | 214 | 516 | 18 | 2,137 |
| Net to Gross | | | | | 50% |
| Gross Land Area Required (ha) | | | | | 4,274 |