

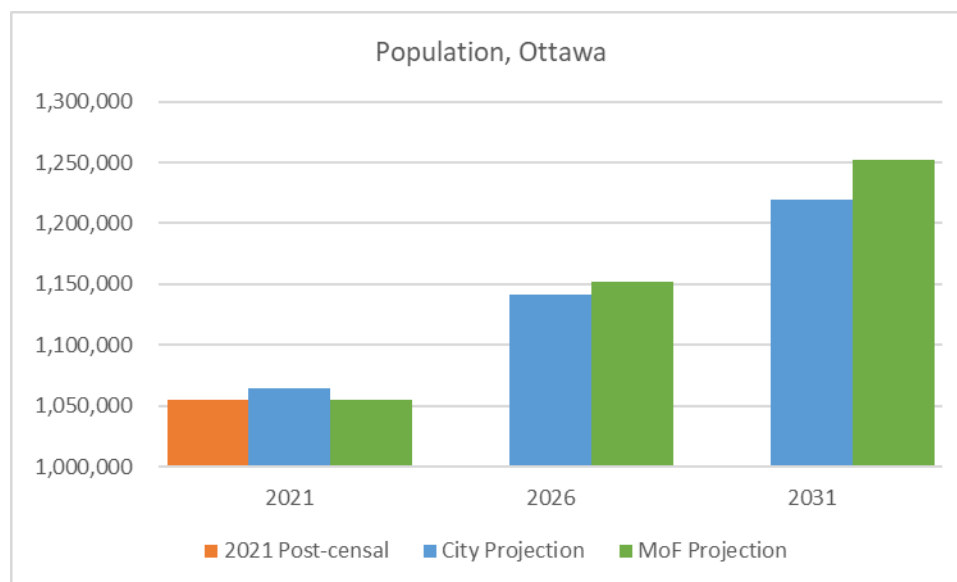
Appendix B - Detailed Housing Supply Comments

The Ministry of Municipal Affairs and Housing posted a bulletin on the Environmental Registry of Ontario¹ regarding the 2031 Municipal Housing Targets on October 25, 2022. These targets are an allocation of the 1.5 million new homes in Ontario by 2031 to selected municipalities. The proposed housing target by 2031 for Ottawa is a growth of 151,000 new houses.

Growth Projections

The Province has recently cited the Ministry of Finance's population projections as a benchmark for upper-tier and single-tier municipalities to consider. The City of Ottawa growth projections to 2046 were adopted in 2019 and used the latest Ministry of Finance's projections at the time as a benchmark. The result in 2019 was a 2046 projected population of 1,409,000 by the City and 1,421,000 by the Ministry of Finance, a difference of less than 1 per cent at the time of adoption.

Since then, the Ministry of Finance has updated the Ottawa population projection with the latest being a population of 1,564,000 by 2046, 10 per cent more than their 2046 projection from 2019 and 11 per cent more than the City's 2046 projection. This model projects a population of 1,252,000 by 2031. In 2031 the difference with the City projections is less than 3 per cent and are less extreme than the difference at 2046.



Population projections have a direct relationship to housing and are the basis for housing projections. However, the Ministry of Finance does not provide household or housing projections. Using the standard projection method guideline, a headship rate calculated from the 2021 Census results for Ottawa is applied to the Ministry of Finance's latest population model to determine the total housing need.

In August 2022, the Smart Prosperity Institute published a report², *Ontario's Need for 1.5 Million More Homes*, using an alternate calculation to household formation and applying to the Ministry of Finance's

¹ <https://ero.ontario.ca/notice/019-6171>

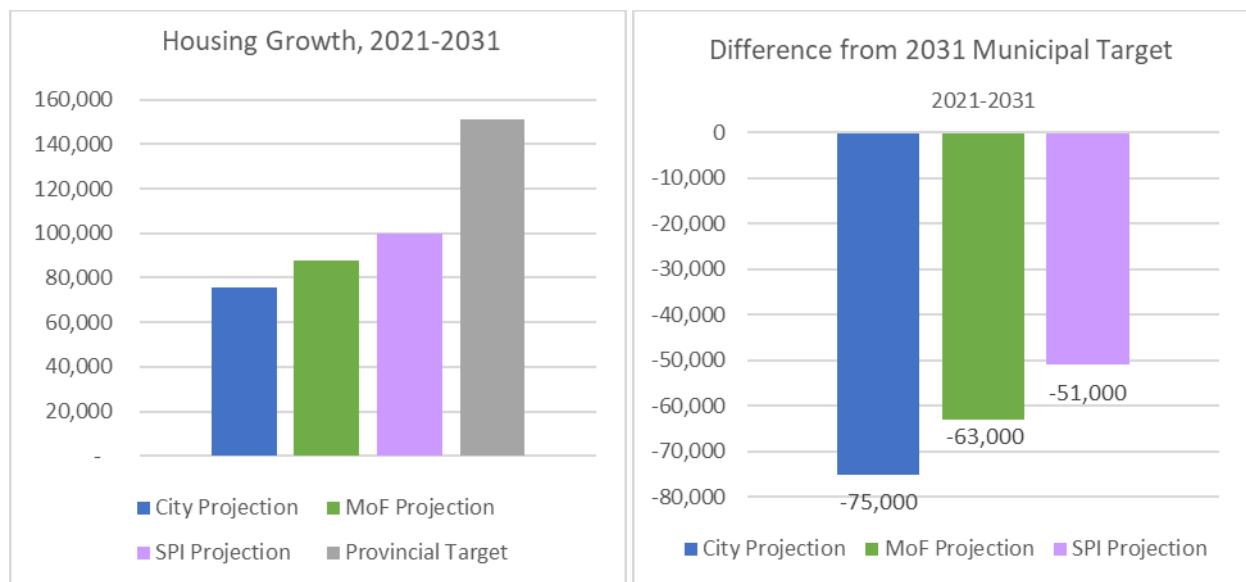
² Moffat, M., Dud, A. Hosseini, M. (2002). *Ontario's Need for 1.5 Million More Homes*. Smart Prosperity Institute.

population projections. This approach, which is not without questions, can be summarized as a desire for household formations by the base population rather than observed formations and is an aspirational approach to calculating resulting housing need. This aspirational approach for housing need concludes that Ottawa will require 100,100 new homes to 2031 and can be characterized as the most aggressive projection compared to the City's and Ministry of Finance projections.

The City projections result in 75,800 new houses from 2021 to 2031, or 7,580 averaged annually. In comparison, the Ministry of Finance projections are 12,200 higher and the Smart Prosperity Institute is 24,300 higher. On an average annual basis they are 1,220 and 2,430 higher respectively.

Comparison of Projections with 2031 Municipal Housing Target for Ottawa

There are large differences in housing growth between the 2031 Municipal Housing Target for Ottawa and all three housing projections: 75,000 more than the City's, 63,000 more than the Ministry of Finance, and 51,000 more than the Smart Prosperity Institute. On an average annual basis the Provincial target is 7,700, 6,300, and 5,100 more respectively.



Lack of Demographic Basis for the 151,000 housing target

There is no fundamental demographic basis for the 151,000 housing target identified in any of the population projections for Ottawa to 2031. The Ontario 1.5 million home target appears to be based on a recommendation from Ontario's Housing Affordability Task Force, which in turn cited a 2021 Scotiabank study³ applying housing supply per capita amongst G7 nations to Canada. **This is a flawed approach to establishing housing targets.** The fundamental driver for new housing is the underlying demographic age-sex profile and rates of household formation from the subject population, rather than applying ratios amongst countries with similar qualities of life.

The cited housing per capita ratio from G7 nations does not consider the age profile and housing needs of the Ontario population. Aging populations have higher housing ratios and needs due to lower number

³ <https://www.scotiabank.com/ca/en/about/economics/economics-publications/post.other-publications.housing.housing-note.housing-note--may-12-2021-.html>

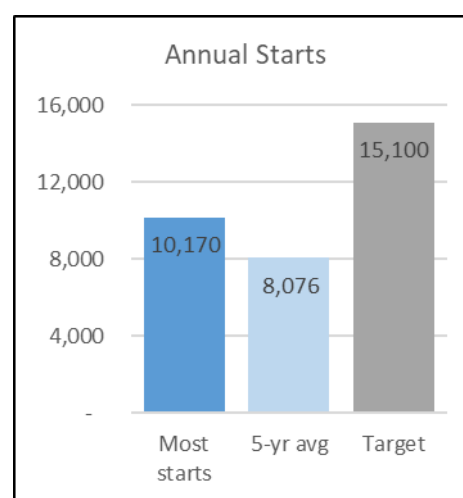
of persons per household. In 2020, Canada had the lowest percentage of seniors amongst G7 nations and Canada's total population represents about 5 per cent of G7 nations. Applying a housing per capita ratio from an older population profile of the G7 total to a younger population base and different household formation rates in Canada and Ontario results in unattainable targets. The demographic profile in Canada and Ontario are fundamentally different than the sum of G7 nations. As such, the Scotiabank study appropriately notes that "...it should of course not be interpreted as a requirement to build many millions of additional units."

Annual Housing Starts

The 151,000 new housing target for Ottawa averages to 15,100 housing starts annually from July 2021 to June 2031. For reference, from January to December 2021 the city recorded 9,400 starts, while the July 2020 to June 2021 period there were 10,170 starts. Both measurements for calendar year and mid-year to mid-year are the highest recorded since amalgamation.

The Province's 2031 housing target for Ottawa averaged annually represents a 48% increase over Ottawa's highest number of starts (2020-2021) in over 20 years.

Recent starts, July to June	Ottawa	Target	Difference	% increase
2017-2018	6,783	15,100	8,317	123%
2018-2019	7,051	15,100	8,049	114%
2019-2020	7,799	15,100	7,301	94%
2020-2021	10,170	15,100	4,930	48%
2021-2022	8,577	15,100	6,523	76%
5-yr avg	8,076	15,100	7,024	87%



The 8,076 starts averaged over the most recent five-years is about 6.5% higher than the City's projections averaged annually to 2031. In the future short-term, housing starts will likely decrease as seen in the July 2021 to June 2022 starts, being a 15% reduction from the previous 12-month record period. **As interest rates increase and the economy slows**, the gap between future construction starts and the 2031 municipal target for Ottawa will likely increase.

Municipal Housing Pledge

The bulletin for the 2031 Municipal Housing Targets includes municipal housing pledges where municipalities will identify intended tools and strategies to achieve their housing targets. Provided examples include priorities for site-specific planning decisions to expedite housing in priority areas, plans to streamline the development approval process, commitments to plan, fund and build critical infrastructure to support housing, and strategies to use municipal surplus lands. These examples appear to include potential supply towards achieving the proposed targets. If this is the case, then identifying housing supply that is available for construction would considerably close the gap towards the 2031 Municipal Housing Target for Ottawa. Clarification is required on whether the Province intends the targets to represent only housing starts or may include an alternate indicator, such as available housing supply.