

November 20, 2023

Memorandum to: Marie Schroeder
Waterloo Region Home Builders' Association

From: Daryl Keleher, MCIP, RPP, Principal
Keleher Planning & Economic Consulting Inc.

Re: WRHBA – OPA 6 Repeal

Our File: P1084

Keleher Planning & Economic Consulting Inc. (KPEC) was retained by the Waterloo Region Home Builders' Association to review the potential implications from the recent repeal of Regional Official Plan Amendment 6 ("ROPA 6"), which brought the Region's Official Plan into conformity with the Growth Plan for the Greater Golden Horseshoe ("Growth Plan") and planning the Region's population and employment growth to the 2051 horizon.

Background

On April 11, 2023, a decision was made by the Province to approve ROPA 6, with 12 modifications. In particular, the Provincial modifications to Maps 1-3 resulted in an additional 2,700 gross hectares of land added to Urban Area or Township Urban Area boundaries. The additional lands included in urban area boundaries was roughly 26% greater than the Region's Option 1 from the Land Needs Assessment.

Beyond the changes in Cambridge (771 hectares less than Option 1) and Woolwich (1098 hectares more than Option 1), the changes in Kitchener, North Dumfries, Wellesley and Wilmot each amount to a difference of 85 hectares or less from Option 1.

Figure 1

Comparison of Urban Boundary Expansion Options from Region, ROPA 6 Expansion Amounts, and Minister's Decision Expansion Amounts, Waterloo Region, Community Lands

Municipality	Option 1	Option 2	Option 3	ROPA 6	Minister's Decision	MD as % of Option 1	MD Hectares less Option 1
Cambridge	1,310	146	-	8	539	41%	-771
Kitchener	192	-	-	-	277	144%	85
Waterloo	-	-	-	-	-	n.a.	0
North Dumfries	55	29	-	38	127	231%	72
Wellesley	38	25	-	17	74	195%	36
Wilmot	197	-	-	35	249	126%	52
Woolwich	416	176	-	52	1,514	364%	1,098
Total	2,208	376	-	150	2,780	126%	572

Source: Waterloo Region April 2022 Land Needs Assessment, Presentation to Planning and Works Committee, (June 6, 2023)

NUMEROUS CHANGES IN UNDERLYING CONDITIONS SINCE ROPA 6

The Region’s Land Needs Assessment (“Region LNA”) was released in April 2022. Page iv of the Region LNA is based on a Long-Term Population and Housing Growth Analysis dated December 2020, meaning that the underlying estimate of housing demand is based on annualized data from 2019 or earlier, and 2016 Census data.

The below sections identify key changes in real estate markets, demographics, that have substantially deviated from long-term norms since 2016 or later (many due to spin-off effects from recent world events) that would have been unknown at the time the underlying residential forecast used to estimate land needs was done.

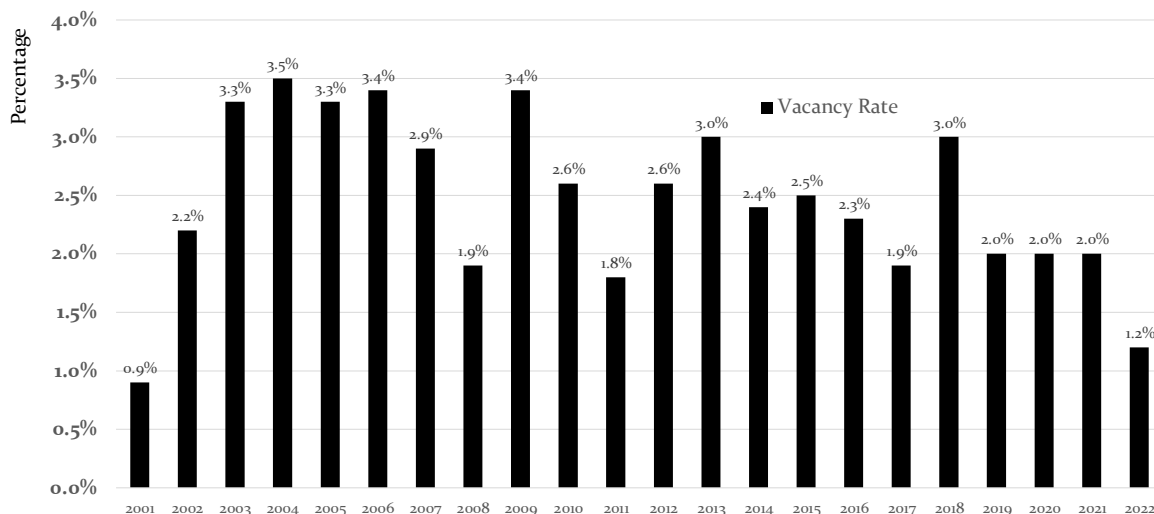
Housing Market Indicators

Rental Vacancy

As of 2022, the rental apartment vacancy rate in Waterloo CMA is 1.2%, the lowest it has been since 20.

Figure 2

Private Apartment Vacancy Rate, Waterloo CMA, 2001-2022

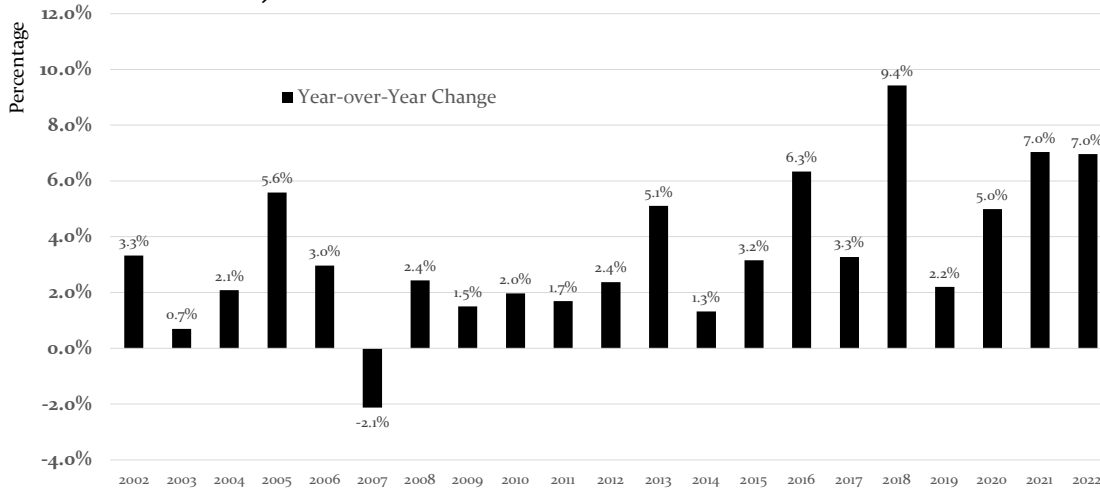


Source: CMHC Rental Market Survey

In four of the past five years, average rents have increased by 5.0% or greater, after doing so only three times over the preceding 16 years (2002-2017). This escalation of rents has coincided with a general decline in the vacancy rate over the past 5-10 years.

Figure 3

Annual % Increase in Average Rents, Private Apartments, Waterloo CMA, 2001-2022

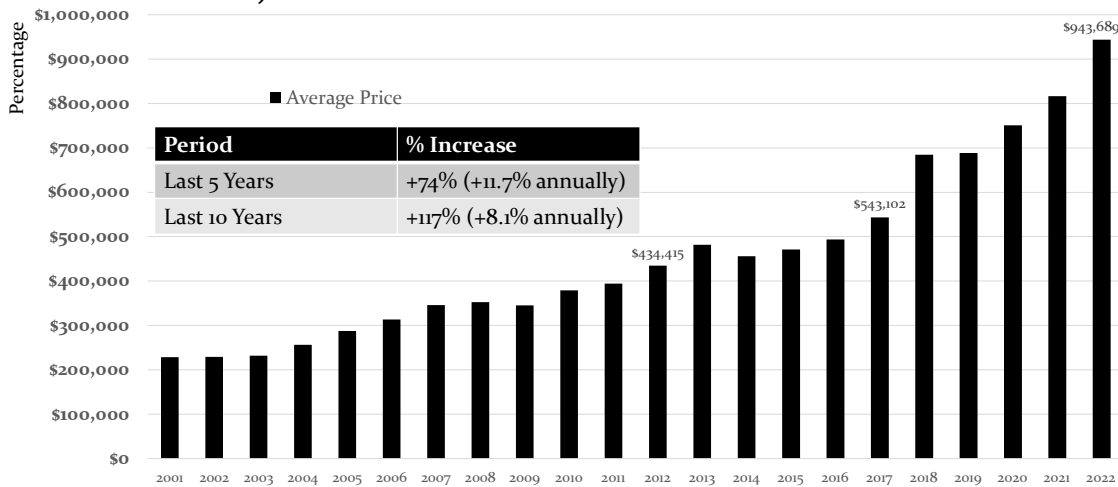


Source: CMHC Rental Market Survey

Housing Prices

Report uses \$1,038,200 average price in Waterloo Region. According to CMHC, the average price of newly absorbed single-detached units in 2022 was \$943,700, up 74% from just five years prior, equating to an average annual increase over the past five years of 11.7%.

Average Price of Absorbed Single-Detached Units, Waterloo CMA, 2001-2022



Source: CMHC Rental Market Survey

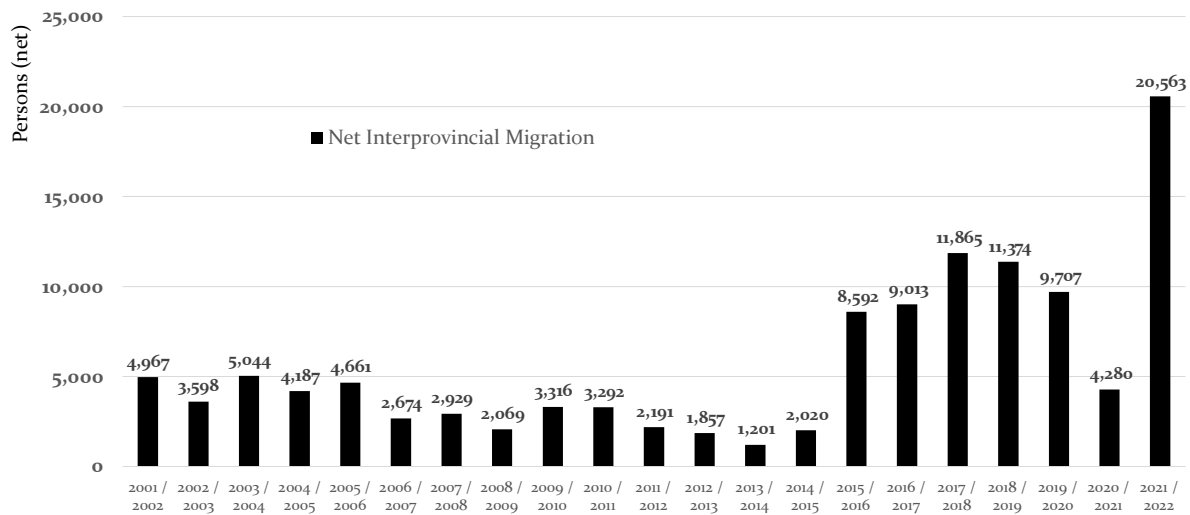
Migration Patterns

Net Inflows to Waterloo Jumped in 2016, and May Have Jumped Again in 2022

The net inflows of persons from international and domestic sources over the last 12 months was 20,563 persons, which is nearly double the second-highest the next highest year since 2002. Six of the seven highest years over the 2002-2022 period have been since 2016.

Figure 4

Net Inflows Migration, Waterloo Census Division, 2002-2022



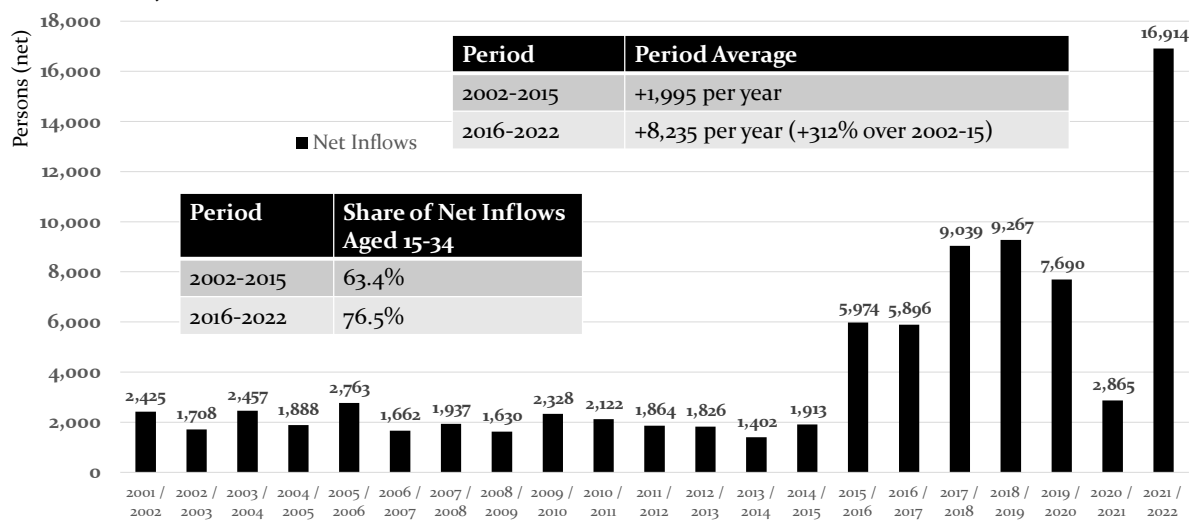
Note: Net Inflows = Net International Immigration, Net Interprovincial Migration, Net Intraprovincial Migration, and Net Non-Permanent Residents

Source: CMHC, Statistics Canada, Table 18-10-0276-01

The largest age-based cohort of the net inflows is persons aged 15-34. The average number of persons aged 15-34 inflow into the Region over the past 7 years has grown by 312% over the average of the preceding 14 years. Persons aged 15-34 make up nearly 77% of net inflows into Waterloo since 2016, compared to 63% over the preceding 14-year period from 2002 to 2015.

Figure 5

Net Inflows Migration, Persons Aged 15-34, Waterloo Census Division, 2002-2022



Note: Net Inflows = Net International Immigration, Net Interprovincial Migration, Net Intraprovincial Migration, and Net Non-Permanent Residents
 Source: CMHC, Statistics Canada, Table 18-10-0276-01

The persons captured in the StatsCan data would not include domestic students who reside at their family home for Census purposes, and therefore growth in domestic students living away from home and needing housing the Region would not be included in the estimated net inflows and resulting housing need to be addressed.

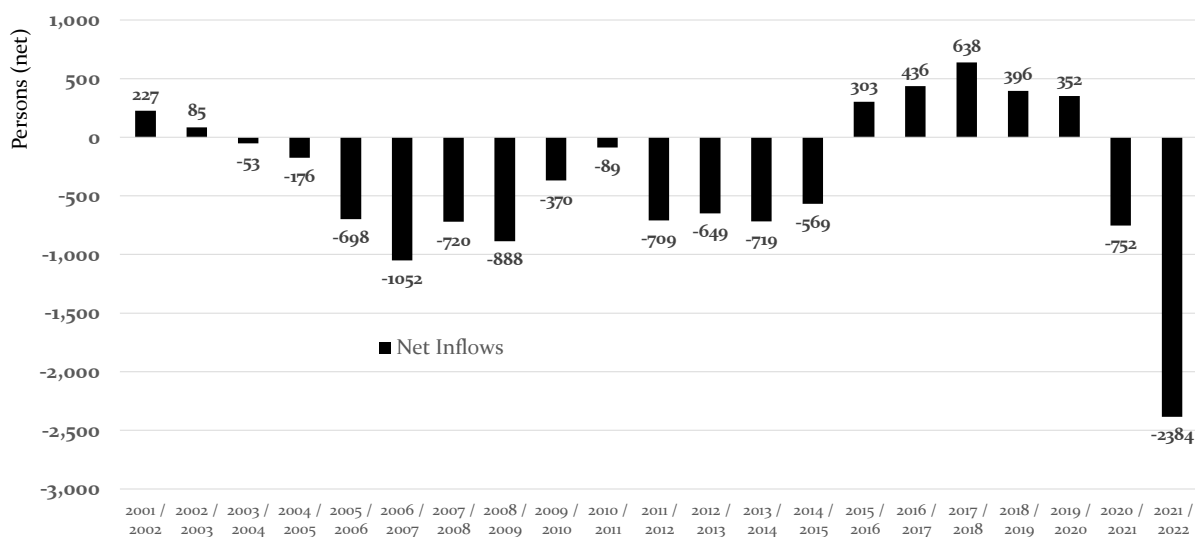
If the Region hopes to retain a significant proportion of persons moving into the Region in the 15-34 age group, to capture the economic contribution-heavy years once the education many in this age group are moving to the Region for, a significant number of persons can be expected to want larger family-sized (often ground-related) housing forms to settle.

Interprovincial Out-Migration from Waterloo is Accelerating

Included in the net inflows of all migration types is interprovincial migration, which has for the last two years been negative, with 2022 being the largest single year of outflows from Waterloo to other Canadian provinces since 2002.

Figure 6

Net Interprovincial Migration, Waterloo Census Division, 2002-2022



Note: Net Inflows = Net International Immigration, Net Interprovincial Migration, Net Intraprovincial Migration, and Net Non-Permanent Residents
 Source: CMHC, Statistics Canada, Table 18-10-0276-01

Intraprovincial Migration

Based on Statistics Canada data, the table below summarizes the five largest sources of net inflow from, and net outflow to other parts of Ontario, over the past five years.

Figure 7

Origin	Five Largest Sources of Net Inflow to Waterloo Region from Elsewhere in Ontario, Total 2018-2022			Average Price Single-Detached in 2017 (Waterloo Region CMA \$538,800)
	Inflow	Outflow	Net Inflow	
Toronto CMA	42,900 persons	20,811 persons	+22,089 persons	\$981,400
Guelph CMA	8,163 persons	5,433 persons	+2,730 persons	\$684,900
Hamilton CMA	5,376 persons	4,249 persons	+1,127 persons	\$591,300
Oshawa CMA	1,011 persons	680 persons	+331 persons	\$598,500
Barrie CMA	748 persons	565 persons	+183 persons	\$630,800

The largest source of net outflows from Waterloo to other parts of Ontario are to areas outside of Census Metropolitan Areas and Census Agglomerations, which largely means rural areas. As the vast majority of housing in rural areas is single-detached, a net outflow from Waterloo Region to rural areas is indicative of a housing supply of ground-related units (and single-detached in particular) that has fallen short of demand, effectively pushing people out of the Region into rural parts of Ontario. Other movements of people from Waterloo Region are to areas with significantly higher proportions of lower-density housing with lower prices than in Waterloo.

Figure 8

Origin	Five Largest Sources of Net Outflow to Waterloo Region from Elsewhere in Ontario, Total 2018-2022			Average Price Single-Detached in 2017 (Waterloo Region CMA \$538,800)
	Inflow	Outflow	Net Outflow	
Areas outside CMAs and Cas	9,171 persons	16,403 persons	-7,232 persons	n.a.
Ottawa CMA (Ontario Part)	1,682 persons	4,249 persons	-2,567 persons	\$516,500
Woodstock CA	1,088 persons	3,168 persons	-2,080 persons	n.a.
Brantford CMA	2,725 persons	4,244 persons	-1,519 persons	\$506,000
London CMA	3,382 persons	4,277 persons	-895 persons	\$485,800

ISSUES WITH LAND NEEDS ASSESSMENT

Higher Density Scenarios Depends on Significantly Higher the Typical Recent Densities on Occupied Lands

The higher density in Option 3 incorporated in the adopted ROPA 6 is based on projected “average” density that is 66 People/Jobs per Hectare, but would require the vacant lands be developed at an average of 73 persons and jobs per hectare, as it is shown that the Occupied Lands (1,375 ha) were developed at a density of 53 persons and jobs per hectare.

Expecting a market and demand for this level of density is optimistic given historic trends, as noted on page xxii:

This option assumes a higher DGA density than the Growth Plan, 2019 minimum of 50 people and jobs/ha. The average DGA density under this option is also higher than what the Region has been achieving historically and what is anticipated to be achieved through active plans. In order to achieve an average density of 66 people and jobs over the entire DGA, the Region would require an average density of 73 people and jobs/ha on vacant lands.

Land Needs Analysis Needed to be Based on Minimum Intensification and Greenfield Density Targets

The Growth Plan for the Greater Golden Horseshoe also requires that demonstration of need for settlement area boundary expansions are based on minimum intensification and minimum density targets, to assess whether sufficient opportunities to accommodate forecasted growth to the horizon of the Growth Plan are available or not, both at the Regional level (2(a)(i)) and at the local municipal level (2(a)(ii))

2.2.8 Settlement Area Boundary Expansions

2. A settlement area boundary expansion may only occur through a municipal comprehensive review where it is demonstrated that:

a) based on the minimum intensification and density targets in this Plan and a land needs assessment undertaken in accordance with policy 2.2.1.5, sufficient opportunities to accommodate forecasted growth to the horizon of this Plan are not available through intensification and in the designated greenfield area:

i. within the upper-or single-tier municipality, and

ii. within the applicable lower-tier municipality

If actual development occurring over the 2021-2051 period was to achieve densities greater than the minimum densities, or intensification occurred at a rate exceeding minimum targets, this would serve to obviate the need for additional urban expansion lands. However, having a sufficient supply of land to accommodate a range of future scenarios is important to avoid land supply shortages relative to forecasted or actual demand over the 30-year period to 2051.

Growth Plan policies 2.2.8.3 goes on to states that where a settlement area boundary expansion has been justified under 2.2.8.2 (at minimum intensification targets and densities) that the feasibility of the expansion and most appropriate location is based on comprehensive application of all of the policies of the Growth Plan as set out in detail through provisions a) through k) of 2.2.8.3

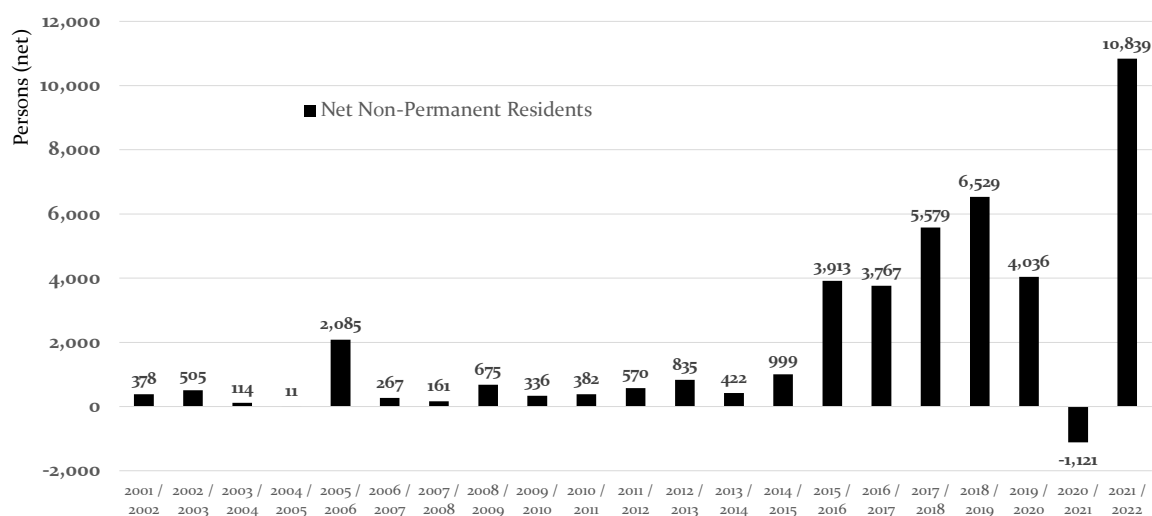
Lack of Planning for Students in Estimating Housing and Land Needs is Unreasonable

A major component of growth in housing demand in Waterloo Region over the past several years has been the growing student population attending institutions such as University of Waterloo, Wilfrid Laurier University, Conestoga College, among others.

International students and temporary foreign workers are known as ‘non-permanent residents’ – over the past seven years the Region has seen the six highest years since 2002, with the 10,839 net non-permanent residents added to the Region in 2022 more than the amount added over the 2002-2015 period as a whole (7,740 persons). The Region’s LNA did not account for these persons in the estimate of housing need.

Figure 9

Net Non-Permanent Residents, Waterloo Census Division, 2002-2022



Note: Net Inflows = Net International Immigration, Net Interprovincial Migration, Net Intraprovincial Migration, and Net Non-Permanent Residents

Source: CMHC, Statistics Canada, Table 18-10-0276-01

Additional Persons Over and Above Statistics Canada Estimates

It is estimated by CIBC¹ that the government estimate of non-permanent residents in the country as of 2021 was 1 million persons, but that count may have been understated by half, meaning there were roughly 2 million persons in the country, as Statistics Canada assume that resident visa holders, including international students leave the country 30 days after their visas expire.

QUANTITY OF LAND ADDED FROM MINISTER’S DECISION IS ONLY 26% HIGHER THAN OPTION 1

While the allocation among municipalities does vary from the amounts set out in the Region’s Land Needs Assessment, the overall quantum of lands from the Minister’s Decision only deviates from Option 1’s estimate (which conformed to the Growth Plan) by 26%, or 562 hectares.

While the repeal of OPA 9 may allow for a re-allocation of lands needed to address projected housing demand by unit type, the overall quantum of land suggested by Option 1 (of the three options presented in the LNA) would provide the greatest amount of land supply, and be most consistent with the Growth Plan (which far exceeded densities of developments built in the past 20-30 years), to allow the Region sufficient planned, designated potential development lands to enable it to respond to current or future influxes of demand for new housing in Southwestern Ontario.

¹ Globe and Mail, (August 30, 2023), “A million more non-permanent residents live in Canada than official figures say, ministers told” <https://www.theglobeandmail.com/politics/article-a-million-more-non-permanent-residents-live-in-canada-than-official/>

A land supply consistent with Option 1 of the Region's LNA or the Minister's Decision, would still allow transit-supportive development to occur at-pace with demand, given minimum nature of intensification targets and MTSA-oriented density targets, and the numerous other provincial and municipal policies supporting and encouraging development in the Region's MTSAs.

With sufficient designated height and density around key nodes and corridors in the Region, the pace of absorption of any new community lands added under the Option 1/Minister's expansion is ultimately dictated by the Region and area municipality themselves, and their desire to foster a planning policy regime sufficiently supportive and encouraging of higher-density development in designated key intensification areas, including through infill-friendly policies, sufficient financial incentives to overcome feasibility issues, etc.