



OTTAWA'S PHYSICAL INFRASTRUCTURE CHALLENGE

Purpose of the White Papers

The City of Ottawa's Economic Strategy Update Steering Committee is seeking input from stakeholders and the public to formulate a common economic vision for the City over the next five years. It is also seeking to determine the mission or role of the municipality in leading, encouraging or contributing to the realization of that shared vision.

This is one of a series of White Papers to present discussion topics in a format that will include "Overview," "Current Situation," "Challenges," "Options and Suggestions for Action," and "Questions to Consider" categories. It is hoped that the reader will offer feedback to guide the formation of the shared vision – what "good" would look like in the context of the white paper topic – and creative thoughts and innovative ideas about how to respond to each white paper challenge.

White paper feedback will be considered by the Economic Strategy Refresh team and incorporated into the collective Vision and Guiding Principles/Policies for Ottawa's Economic Development Strategy (2010 to 2015). Reader input will also guide decisions about which economic strategies and initiatives should be undertaken to realize the City's vision.

Overview

Ottawa should give more consideration to the public infrastructure challenges it faces. With many Canadian cities facing infrastructure deficits and planned employment and population growth demanding new infrastructure, now is the time to be proactive.

To be considered investment-ready, the City must offer quality employment lands¹, with access to services that can support a range of businesses. Ottawa is not addressing some of these factors aggressively enough.

Some physical infrastructure issues in Ottawa threaten to significantly affect the economic development potential of the city. The employment lands supply is considered adequate, but slowing demand suggests there is a larger issue with respect to the quality of the properties.

The transportation network includes two 400-series highways and established rapid public transit but the City is challenged by traffic congestion. There are few, if any, issues with water supply or treatment capacity in Ottawa but the reliability of the aging system is in question, as well as the lack of water and sewage services for employment designated lands in some areas with economic development potential.

In short, it is unclear if the existing activities of the City have addressed these physical infrastructure issues. In not doing so, Ottawa risks losing out on new investments, as comparable or better opportunities exist in many other areas of Canada.

How will Ottawa ensure that it is ready to accommodate new investments from incoming companies or existing companies that need new and expanded space in the city? Is Ottawa missing investment attraction and retention opportunities based on the existing physical infrastructure situation? Are Ottawa's strengths great

¹ Employment lands are those lands that are zoned/intended for industrial, commercial and office uses. This does not include residential or population-related retail.

enough to offset a perceived or real lack of development opportunities?

**Current
Situation**

Ottawa has a strong history of major office development in business parks. In many ways, this campus-style development has fuelled land consumption in different areas of the city, especially outside of the Greenbelt. In recent years, however, the amount of land that has been developed in employment areas has been decreasing steadily, dropping from an annual consumption of 61 hectares per year in the urban area, to 35 hectares in 2007 and further to 16 hectares in 2008. This trend is also generally matched in the rural areas.

Ottawa also has a history of losing employment lands to non-employment uses. Since 2001, Ottawa has lost some 35% of its vacant employment lands through conversion to other land uses, including residential and population-related retail employment. These uses provide a good return on the land for developers but do little in the way of accomplishing economic development goals like an enhanced industrial or office tax base and the addition of high-quality jobs to the local economy.

A number of concerns regarding the existing supply of employment lands were identified through a recent study commissioned by the City of Ottawa²:

- Many of the parcels are fractured into smaller, less desirable pieces that are considered inappropriate for large office or other development.
- Ownership of vacant parcels is sometimes varied, limiting both the opportunities for land assembly, as well as their availability if the owner is intent on developing them for other uses.
- The price to purchase or lease is being driven up by competition from non-employment uses (retail, residential).
- Some parcels remain unserviced or subject to barriers which make servicing them uneconomical.
- Ottawa can compete for some employment uses on a regional scale but is likely at a disadvantage when competing outside of eastern Ontario.

From a transportation perspective, Ottawa is well-served by both highway and public transit infrastructure. Highway 416 provides a vital link between the City and Highway 401, while Highway 417 provides both a vital intra-city route from east to west, as well as an efficient connection to Montreal. However, continued growth of the City has resulted in increased traffic congestion along the entire highway corridor. In some ways, this congestion has been constrained to its present level by the City's public transit system.

However, the 2009 SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis of the economy highlighted concerns that the transit system is either not up to standard or not adequately supportive of growth. For example, there is a lack of integration with the adjacent transit provider in Gatineau (Société de transport de l'Outaouais – STO) which does not recognize the significant cross-border flow of

² Metropolitan Knowledge International, Employment Lands Study Strategy – Phase 1, 2008

residents. Additionally, developers and businesses alike seem concerned about the feasibility of the plan to shift a portion of the system to light-rail transit, where the system will be routed, and where the funding to do so will come from. These uncertainties delay the public “buy-in” of the plan and reduce the opportunities to develop transit-oriented employment and population policies in reference to this major infrastructure project, which has the potential to reduce Ottawa's transportation congestion issues.

The Transportation Master Plan addresses transportation issues in the City with the goal of accommodating a projected population of 1.14 million in Ottawa by 2031. This Plan was updated in 2008, so it remains relatively current. Like other master plans though, it provides strategic direction only and relies on further studies and budget planning to implement its directions.

For utilities, the City's Infrastructure Master Plan determined that basic demand for water in Ottawa will likely increase by 34% over current basic levels by 2031. While there is treatment capacity now and expansions are underway at the Lemieux Plant to further increase capacity, it is expected that additional expansions will be needed to fully accommodate forecasted growth in the City. The same is true for the wastewater treatment system.

For both systems, the major challenge across the City is age, especially within the Greenbelt area. Many combined sewers that are already near capacity are prone to overflows during major storm events. Intensification policies support the most cost-efficient growth in an infrastructure expansion context but produce a challenge in maintaining these old sections of the water and wastewater systems as demand increases. Overall, the Infrastructure Master Plan suggests that \$657 million will need to be invested into the water and wastewater systems between 2009 and 2019 to accommodate growth.

It is difficult to say whether Ottawa is missing opportunities based on physical infrastructure concerns. The Employment Lands report above notes two anecdotal examples of companies that left Ottawa based on the lack of expansion opportunities (Giant Tiger and Ketchum Manufacturing). This is hardly evidence for a major trend but should be cause for concern in terms of industrial development, with adjacent regional areas offering larger contiguous parcels of land and equal or better transportation access.

Challenges

What physical infrastructure factors make an area attractive to residential, industrial and commercial investment? Does Ottawa provide the right physical assets to accommodate all types of investment? More importantly, how quickly can Ottawa accommodate investments?

Generally speaking, areas with good transportation access and servicing are preferable to major office and industrial development, as well as residential and retail uses. Looking at these factors in an employment lands context, lands adjacent to the highway corridor in the east end are almost at capacity, while other

factors like distance from the core (or perceived distance due to highway congestion) detract from the area's appeal. In the west end, there are lands available adjacent to the Highway 416 corridor but many of them lack water and wastewater servicing.

Given projected employment and population growth in Ottawa, pressures on the City's physical infrastructure systems will likely increase and competition for remaining vacant land (employment or otherwise) is likely to intensify. The challenge will be to effectively invest in existing infrastructure assets while investing in expansion of those assets to accommodate the planned growth of the City in a preferred manner (i.e., focusing population growth within the Greenbelt, distributing jobs more evenly across the city). An additional challenge exists in coordinating employment land goals with future transportation infrastructure like highway interchanges or the light rail transit corridor and major landholders.

**Options and
Suggestions
for Action**

Both the Transportation and Infrastructure Master Plans were recently updated and contain the overall strategies for transportation and water/wastewater service operation over a long-term planning horizon. Policies of the updated Economic Development Strategy should align themselves with the overarching visions of each of these plans and adopt economic strategies that integrate these visions. Perhaps the best opportunity for physical infrastructure direction and influence in an economic strategy is within the context of employment lands management.

Many municipalities across Ontario, including Hamilton and Toronto, have adopted employment land strategies to address the challenges of maintaining a sustainable supply of high-quality and attractive employment lands to serve future demand. Ottawa has initiated a similar exercise, with the first phase of the study suggesting that employment lands and associated infrastructure challenges may best be approached through:

- Public intervention in the employment lands market
- Working in collaboration with public institutions to make sure that their employment lands objectives are aligned with the City's and the City's infrastructure concerns are aligned with the public institution
- Examining the use of Community Improvement Plans (CIPs) to stimulate redevelopment and intensification
- Examining cost-sharing and front ending mechanisms for servicing of rural or other developments outside the Greenbelt
- Identify innovative alternative servicing solutions for employment lands
- Continuing to streamline the development approvals process
- Increased marketing and branding existing employment areas

This report has informed the new Official Plan with economic policy suggestions related to employment land management. Most notable are stricter policies with regard to the conversion of employment lands, more in line with the Provincial Policy Statement. The protection of existing employment lands must be among the most important factors in employment land management.

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Perhaps one of the more successful examples of public intervention in the employment lands market, of interest to Ottawa given its economic strengths, is the University of Waterloo Research and Technology Park focused on high-technology companies. Ottawa has a large quantity of publicly owned land, excellent research assets, existing incubator services, an entrepreneurial culture and several post-secondary institutions which could support this initiative. However, land resources within the urban area to accommodate this type of development may be limited, and servicing constraints in the rural areas further limit opportunities.

Community Improvement Plans (CIPs) could be pursued to address underutilized employment areas. The City of Hamilton uses the Environmental Remediation and Site Enhancement (ERASE) CIP to stimulate the development of underutilized and brownfield areas, with the CIP itself used as a marketing tool for those lands. This infill development is valued as it makes better use of existing infrastructure and is more cost-effective than system expansions. Further, the City of Toronto is designated as a community improvement project area, with a range of assistance is offered, including Tax Increment Equivalent Grants (TIEGs) and measures for public land acquisition. Though Ottawa does not have the same level of concern with brownfields (environmentally contaminated sites), CIPs offer the City a range of opportunities to support development of underutilized employment areas through municipally driven programs like infrastructure works, municipal property acquisition, land assembly and sale of lands.

Ottawa should brand existing employment areas with the intention of encouraging development. Municipalities along the 400-series highway corridors are beginning to give some regard to maintaining adjacent employment lands at strategic nodes as prestige employment gateways by developing strong policies that restrict residential and other non-employment uses in strategic lands. For example, Aurora, Richmond Hill, and Markham are investigating or implementing policies that maintain the Highway 404 corridor for major office or prestige employment land uses. As such, the corridor is now home to several head offices, including State Farm Canada, BMW Canada, and Honda Canada.

Land adjacent to existing (Highways 416/417) or future (Light Rail Transit line) transportation infrastructure in Ottawa should be considered equally as valuable and protected for such prestige employment uses or mixed use developments that integrate employment with residential development, to a high urban design standard. If there are servicing concerns in these areas, addressing them should be a top City priority. These grounding principles should be laid before additional lands along highway corridors come online to ensure their management and protection from development uses that are contrary to those principles.

Questions to Consider

- Has Ottawa done enough to protect employment lands and to promote or facilitate the development of major offices and employment uses on those lands?
- What policies, strategies, or initiatives should be included in the City's updated economic strategy to address physical infrastructure concerns?



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- How should Ottawa engage private landowners to work toward a proactive solution for infrastructure concerns on employment lands development?