City of Ottawa
Ville d'Ottawa

Inclusionary Zoning
Zonage d'inclusion

Assessment Report as Required by O.Reg. 232/18
Rapport d'évaluation exigé par le Règlement de l'Ontario 232/18

June 13, 2025
Le 13 juin 2025

Every effort is made to provide information simultaneously in both official languages; however, this information is currently available in English only. Staff can request this information be provided in the official language of your choice. Such requests can be made by contacting the resource person in the applicable department.

Tous les efforts sont déployés afin de fournir des renseignements dans les deux langues officielles de façon simultanée. Cependant, la présente information existe en anglais seulement. Le personnel peut demander que cette information lui soit communiquée dans la langue officielle de son choix. Veuillez communiquer avec la personne-ressource de la direction générale à laquelle se rapporte le document pour présenter une telle demande.

June 13, 2025

City of Ottawa
110 Laurier Avenue West
Ottawa, Ontario
K1P 1J1

Attention: David Wise, Program Manager, Housing Acceleration Project

RE: Inclusionary Zoning, Assessment Report as Required by O.Reg. 232/18

Dear David,

The team of Dillon Consulting Limited in collaboration with N. Barry Lyon Consultants Limited is pleased to provide the City of Ottawa with the following report.

We trust you will find our report in order. If our team can be of any further assistance in the future, please do not hesitate to contact the undersigned.

Yours sincerely,

Dillon Consulting Limited

Rory Baksh, RPP, MCIP
Partner

N. Barry Lyon Consultants Limited

Matthew Bennett, RPP, PLE
Partner

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Executive Summary

Dillon Consulting Limited ("Dillon") and N. Barry Lyon Consultants Limited (NBLC) have been retained by the City of Ottawa to complete an assessment report on Inclusionary Zoning (IZ). IZ is a land use planning tool that allows municipalities in Ontario to require affordable housing units within new residential developments located in Protected Major Transit Station Areas (PMTSAs). This report focuses on the City of Ottawa's PMTSAs, with detailed analysis centered on benchmark development scenarios across representative market transects, including the Downtown, Inner/Outer Urban, and Suburban areas. While IZ offers a potential mechanism to increase the supply of affordable housing through mixed-income communities, its implementation must be carefully calibrated against potential impacts on the financial feasibility of new housing development. Successful IZ policy requires a sound alignment of planning objectives, market demand, and economic viability.

The findings and analysis within this report illustrate a significantly challenging current market environment for new housing development in Ottawa. Rising construction costs and interest rates have substantially increased overall project costs at a time when market pricing has softened or remained static. Consequently, many housing projects are facing cancellations or delays, contributing to an observed slowdown in new development across the province, including Ottawa. The analysis indicates that, even before considering any IZ requirements, developers seeking to acquire land or those who have recently purchased land in the current market face conditions where new market-rate housing development is often unviable or carries substantial risk.

These base-case findings present a difficult starting point for the consideration of an IZ policy. If market-rate projects are already struggling to achieve viability, the capacity to absorb the additional costs associated with IZ requirements without further impairing feasibility is significantly diminished, as there is little to no surplus land value to draw upon. Applying a 5% IZ set-aside at provincially defined affordability depths generally erodes land values further from the already challenged base case.

Looking forward, theoretical optimistic market condition scenarios demonstrate improved viability for both condominium and rental projects. However, in the current context, implementing IZ policies without careful consideration of market realities could act as a further impediment to market recovery within Ottawa's PMTSAs. It is generally preferable to introduce IZ in a manner that eases this friction, potentially through a phased approach and/or the provision of incentives, particularly in the early stages.

To limit negative externalities and allow the market to evolve, while positioning the City to achieve its affordable housing objectives as conditions permit, the following options are recommended for consideration:

- **Implement an IZ policy framework with a 0% set-aside rate until the market improves**: The City could elect to implement the formal IZ policy framework, including by-laws and administrative procedures, but initially set the mandatory affordable housing requirement at 0%. This establishes the system without immediately impacting currently challenged project viabilities.

The set-aside rate could then be reviewed periodically and increased (e.g., up to the 5% maximum permitted by Provincial legislation, or as policy dictates) as market conditions demonstrate capacity to support such requirements.

- **Implement an IZ policy with financial offsets/incentives**: The City could implement IZ with a set-aside rate (e.g., up to 5% or a lower, phased rate) while concurrently offering financial incentives or regulatory flexibility to offset the associated costs to development. The nature and scale of these incentives would need to be carefully determined, monitored through updates to the City's IZ Impact Assessment, and funded through a dedicated budget, which could be significant given current market conditions.

While the immediate outlook for implementing IZ with substantial mandatory set-asides without accompanying offsets is challenging, periods of market downturn can be an opportune time for policy formulation. As the market rebounds, the City of Ottawa, having a well-considered IZ framework in place, will be better positioned to ensure that new development in transit-supportive areas contributes to more equitable housing outcomes. The critical element for policymakers will be to embed flexibility within the IZ policy to allow it to adapt to evolving market conditions, thereby encouraging, rather than deterring, the development of much-needed housing. It is noted that several other Ontario municipalities have recently deferred IZ implementation or are proceeding with caution due to similar market conditions.

Résumé

Les services des firmes Dillon Consulting Limited (« Dillon ») et N. Barry Lyon Consultants Limited (NBLC) ont été retenus par la Ville d'Ottawa pour élaborer un rapport d'évaluation sur le zonage d'inclusion (ZI). Le ZI est un outil de planification de l'aménagement du territoire qui permet aux municipalités de l'Ontario d'exiger la construction de logements abordables dans les nouveaux aménagements résidentiels situés dans les zones protégées des grandes stations de transport en commun (ZPGSTC). Ce rapport porte sur les ZPGSTC d'Ottawa et comprend une analyse détaillée axée sur des scénarios de développement de référence dans des transects représentatifs du marché, notamment ceux du centre-ville, du secteur urbain intérieur, du secteur urbain extérieur et du secteur de la banlieue. Bien que le ZI offre un mécanisme potentiel pour augmenter l'offre de logements abordables grâce à des communautés à revenus mixtes, sa mise en œuvre doit être soigneusement calibrée en fonction des répercussions possibles sur la faisabilité financière des nouveaux projets immobiliers. Pour être efficace, la politique sur le ZI doit permettre un équilibre entre les objectifs de planification, la demande du marché et la viabilité économique.

Les conclusions et l'analyse présentées dans ce rapport dépeignent un marché particulièrement difficile actuellement pour la construction de nouveaux logements à Ottawa. La hausse des coûts de construction et des taux d'intérêt a fait considérablement augmenter le coût global des projets, alors que la fixation des prix en fonction du marché a baissé ou est restée stable. Par conséquent, de nombreux projets immobiliers sont annulés ou retardés, ce qui contribue au ralentissement observé dans la construction de nouveaux logements dans toute la province, y compris à Ottawa. L'analyse indique que, même avant de tenir compte des exigences en matière de zones d'inclusion, les promoteurs qui cherchent à acquérir des terrains ou ceux qui en ont récemment acheté sur le marché actuel sont confrontés à des conditions dans lesquelles la construction de nouveaux logements au prix du marché est souvent non viable ou comporte des risques importants.

Ces conclusions de référence constituent un point de départ difficile pour l'examen d'une politique sur le ZI. Si les projets au prix du marché sont déjà difficilement viables, la capacité d'absorber les coûts supplémentaires liés aux exigences du zonage d'inclusion sans compromettre davantage la faisabilité est considérablement réduite, car il n'y a que peu ou pas de valeur foncière excédentaire à exploiter. L'application d'un pourcentage de 5 % de réservation des logements du ZI selon le niveau d'abordabilité financière défini par le provincial érode généralement davantage la valeur des terrains par rapport au scénario de base déjà difficile.

Les scénarios théoriques optimistes concernant le marché affichent une viabilité accrue pour les projets de copropriétés et de logements locatifs. Toutefois, dans le contexte actuel, la mise en œuvre de politiques sur le ZI sans tenir compte des réalités du marché pourrait constituer un obstacle supplémentaire à la reprise du marché dans les ZPGSTC d'Ottawa. Il est généralement préférable de mettre en place les ZI de manière à atténuer ces frictions, éventuellement par une approche progressive ou l'octroi d'incitatifs, en particulier dans les premières phases des projets.

Afin de limiter les externalités négatives et de permettre au marché d'évoluer, tout en positionnant la Ville de manière à atteindre ses objectifs en matière de logement abordable lorsque les conditions le permettent, l'examen des options suivantes est recommandé :

- **Mise en œuvre d'un cadre d'application d'une politique sur le ZI assorti d'un taux de mise en réserve de 0 % jusqu'à l'amélioration du marché** : La Ville pourrait choisir de mettre en œuvre le cadre d'application officiel de la politique sur le ZI, y compris les règlements et les procédures administratives, mais fixer dans un premier temps l'exigence obligatoire en matière de logements abordables à 0 %. Cela permettrait de mettre en place le système sans avoir de répercussions immédiates sur la viabilité des projets en difficulté.

  Le taux de mise en réserve pourrait ensuite être révisé périodiquement et augmenté (jusqu'au maximum de 5 % autorisé par la législation provinciale ou conformément à la politique, à titre d'exemple) lorsque les conditions du marché sont favorables à ces exigences.

- ***Mise en œuvre d'une politique sur le ZI assortie de compensations ou d'incitations financières** : La Ville pourrait mettre en place une politique sur le ZI assortie d'un taux de mise en réserve (jusqu'à 5 % ou à un taux inférieur et échelonné, à titre d'exemple), tout en offrant des incitations financières ou une flexibilité réglementaire pour compenser les coûts associés à l'aménagement. La nature et l'ampleur de ces incitations devraient être soigneusement déterminées, contrôlées par le biais de mises à jour de l'évaluation de l'incidence du ZI de la Ville, et financées par un budget spécifique, qui pourrait être important compte tenu des conditions actuelles du marché.*

Bien que la mise en œuvre immédiate d'un zonage d'inclusion avec des mises en réserve obligatoires substantielles sans compensations d'accompagnement soit difficile, les périodes de ralentissement du marché peuvent être propices à l'élaboration de politiques. Lorsque le marché rebondira, la Ville d'Ottawa, dotée d'une structure cadre du ZI réfléchie, sera mieux placée pour s'assurer que les nouveaux aménagements dans les secteurs favorables au transport en commun contribuent à une plus grande équité en matière de logement. L'essentiel pour les responsables des politiques sera d'apporter une certaine souplesse dans la politique de zonage d'inclusion afin qu'elle soit adaptée à l'évolution du marché, encourageant ainsi la construction très attendue de logements, plutôt que le contraire. Il convient de noter que plusieurs autres municipalités de l'Ontario ont récemment reporté la mise en œuvre du zonage d'inclusion ou procèdent avec prudence en raison de conditions de marché similaires.

1.0 Introduction

Dillon Consulting Limited (“Dillon”) and N. Barry Lyon Consultants Limited (“NBLC”) have been retained by the City of Ottawa to prepare an Inclusionary Zoning (“IZ”) Assessment Report. IZ is a policy tool that allows municipalities to require affordable housing within new development, however it can only be implemented within a Protected Major Transit Station Area (“PMTSA”) or Community Planning Permit System Area (“CPPSA”).

An Inclusionary Zoning Status Update and Direction Report was presented to Council on June 22, 2022. The City of Ottawa Official Plan came into effect on November 4, 2022. The new Official Plan provides direction to pursue Inclusionary Zoning as a priority measure. The principal objective of IZ is to add units to the housing market that are affordable to moderate income households. Section 4.2.4 provides policy direction to implement inclusionary zoning. Policy 1 directs the City to implement inclusionary zoning as a priority measure, as provided by Sections 16(4), 16(5) and 35.2 of the Planning Act, as a mechanism to contribute towards meeting the affordable housing goals identified in the Ten-year Housing and Homelessness Plan through a future amendment to this Plan.

The City of Ottawa’s 10-Year Housing and Homelessness Plan (2020–2030) sets a target of 500 new affordable and supportive housing units annually. However, actual production has fallen short of this goal in multiple years. The highest gain occurred in 2019 (250 units), while 2020 and 2022 had the lowest production levels, with only 13 and 8 units built, respectively. These fluctuations highlight the challenges in maintaining consistent affordable housing development, often tied to funding availability, policy shifts, and construction delays (Audit of Affordable Housing, 2024).

While IZ has the potential to introduce a new supply of affordable housing units through mixed-income development, it can also have a negative impact on the financial feasibility of developing new housing. For IZ to be successful, there needs to be proper alignment of planning tools, market demand, and economic forces. As explored in this report, it is also highly beneficial to implement IZ concurrently with transit investments and PMTSA planning frameworks.

2.0 Inclusionary Zoning Background and Policy Context

2.1 Provincial Framework for Inclusionary Zoning

Inclusionary Zoning ("IZ") is a policy tool whereby a lower-tier or single-tier municipality can require that a set number of units within a new development be provided as affordable housing. The number of units, the length of affordability, depth of affordability, tenure, unit types and sizes, and other variables are all prescribed within local policy as well as the criteria which trigger the policy (e.g., IZ could only apply to condominium projects, only to projects of a certain size, to built area above a predetermined base density, etc.).

The *Planning Act* and O. Reg. 232/18 (as amended) set out the legislative and regulatory requirements for municipal implementation of inclusionary zoning, including the authority for municipalities to adopt IZ official plan policies and make inclusionary zoning by-laws. Beyond the prescribed minimum requirements, municipalities have flexibility and discretion to tailor their inclusionary zoning policies to their local context.

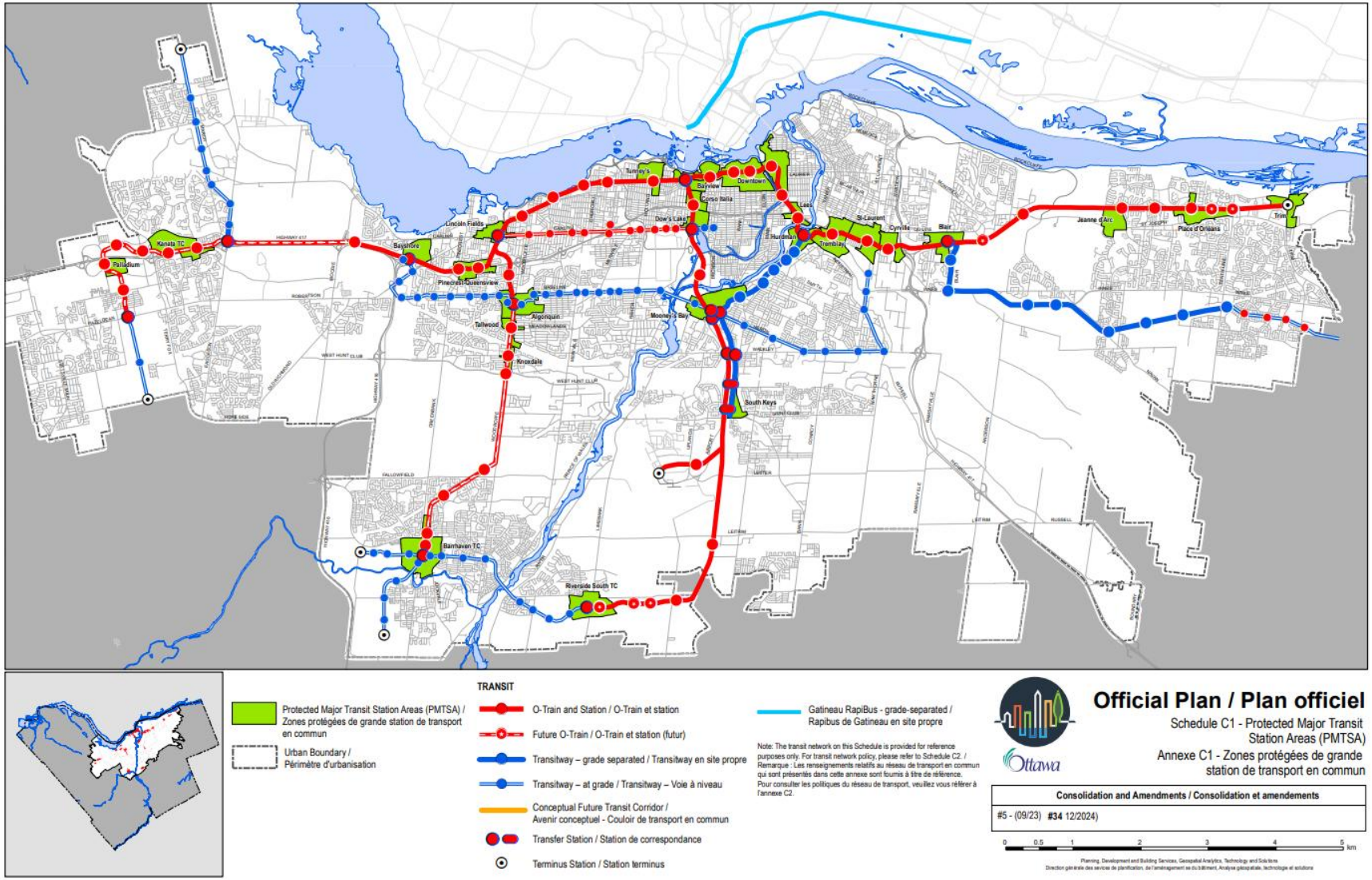
Section 16(4) of the *Planning Act* allows an official plan of a municipality to authorize inclusionary zoning by (a) authorizing the inclusion of affordable units within buildings or projects containing other residential units, and (b) providing for the affordable housing units to be maintained as affordable units over time. Furthermore, Section 35.2 of the *Planning Act* provides council with the ability to pass one or more by-laws to give effect to the policies of inclusionary zoning.

Under O. Reg. 232/18, municipalities have the discretion to establish an affordability period, to determine the percentage of total units to be set aside as affordable, and to develop an approach to determining affordable prices/rents for inclusionary zoning units. The regulation allows municipalities to secure affordable housing in new residential developments with more than 10 units that are located within a PMTSA. Amendments to O. Reg. 232/18 through Bill 23 cap the number of affordable units at 5% of the total units or total gross floor area and set a maximum affordability period of 25 years. Additionally, they prescribe that the lowest price/rent for inclusionary zoning units be set at 80% of the average resale purchase price or market rent, applicable only within PMTSAs.

2.2 Protected Major Transit Station Areas (PMTSA)

Under the current legislative framework, IZ may only be enacted in a PMTSA, or in areas subject to a Community Planning Permit System ("CPPS"), or in areas designated by the Minister. The boundaries of the Ottawa PMTSAs are delineated in **Figure 1**, which will be further assessed later in this report.

Figure 1: Official Plan, Schedule C-1



2.3 Assessment Report Requirements

To implement IZ, O.Reg. 232/18 (as amended) requires that an Assessment Report (i.e., this report) be prepared, and that its contents be considered in the development of relevant Official Plan policies. The report must contain the following:

1. An analysis of demographics and population in the municipality.
2. An analysis of household incomes in the municipality.
3. An analysis of housing supply by housing type currently in the municipality and planned for in the official plan.
4. An analysis of housing types and sizes of units that may be needed to meet anticipated demand for affordable housing.
5. An analysis of the current average market price and the current average market rent for each housing type, taking into account location in the municipality.
6. An analysis of potential impacts on the housing market and on the financial viability of development or redevelopment in the municipality from inclusionary zoning by-laws, including requirements in the by-laws related to the matters mentioned in clauses 35.2 (2) (a), (b), (e) and (g) of the Act [referring to the required contents of the IZ policies], taking into account:
    a. Value of land
    b. Cost of construction
    c. Market price
    d. Market rent, and
    e. Housing demand and supply

O.Reg. 232/18 also requires that the Assessment Report be peer reviewed from a person independent of the municipality and who, in the opinion of the council of the municipality, is qualified to review the analysis.

2.4 Development of Official Plan Policies

The contents of the Assessment Report and the identified goals and objectives of the municipality will then form the base of the Official Plan policies, which must include:

1. The minimum size, not to be less than 10 residential units of development or redevelopment to which an inclusionary zoning by-law would apply.
2. The locations and areas where inclusionary zoning by-laws would apply.
3. The range of household incomes for which affordable housing units would be provided.
4. The range of housing types and sizes of units that would be authorized as affordable housing units.
5. For the purposes of clause 35.2 (2) (a) of the Act, the number of affordable housing units, or the gross floor area to be occupied by the affordable housing units, that would be required.

6. For the purposes of clause 35.2 (2) (b) of the Act, the period of time for which affordable housing units would be maintained as affordable.
7. For the purposes of clause 35.2 (2) (e) of the Act, how measures and incentives would be determined.
8. For the purposes of clause 35.2 (2) (g) of the Act, how the price or rent of affordable housing units would be determined.
9. For the purposes of section 4, the approach to determine the percentage of the net proceeds to be distributed to the municipality from the sale of an affordable housing unit, including how net proceeds would be determined.
10. The circumstances in and conditions under which offsite units would be permitted, consistent with paragraphs 2, 3 and 4 of section 5.
11. For the purposes of paragraph 2 of section 5, the circumstances in which an offsite unit would be considered to be in proximity to the development or redevelopment giving rise to the by-law requirement for affordable housing units.

Official plan policies described in subsection 16 (4) of the Act shall set out the approach for the procedure required under subsection 35.2 (3) of the Act to monitor and ensure that the required affordable housing units are maintained for the required period of time.

2.5 Reports from Municipal Council

O.Reg. 232/18 (as amended) requires that at least every two years, municipal Council report on the following: (2) The council shall ensure that each report describes the status of the affordable housing units required in the by-law, including the following information for each year that is the subject of the report:

1. The number of affordable housing units.
2. The types of affordable housing units.
3. The location of the affordable housing units.
4. The range of household incomes for which the affordable housing units were provided.
5. The number of affordable housing units that were converted to units at market value.
6. The proceeds that were received by the municipality from the sale of affordable housing units.

2.6 Application of an Inclusionary Zoning Policy

The application of IZ can take two primary forms:

- **Mandatory IZ policy**, which requires that all development subject to IZ provide affordable housing as a condition of receiving a building permit. The IZ policy contains explicit detail on all affordable housing and administrative requirements, which allows developers to incorporate the affordable housing into their business plan when acquiring land and proceeding with municipal approvals and development. A mandatory policy can also include offsetting measures to reduce the impact on land value and development feasibility.

- **Voluntary IZ policy**, which would seek to incentivize a developer to participate in the program and provide affordable housing. For a voluntary program to work, the incentivizing measures must provide a meaningful benefit to the developer such that they would want to participate in the IZ policy. For example, a municipality may provide financial incentives, increased density, and/or quicker approvals in exchange for the affordable housing. A municipality may also structure a bonus density scheme, where only buildings above a certain size would be subject to IZ. For example, at 10-storeys IZ is not required, but up to 20-storeys is available where IZ would apply to the extra 10-storeys should the developer decide to pursue the increased density.

2.7 Exemptions from Inclusionary Zoning

O.Reg. 232/18 (as amended) also provide exemptions from IZ as detailed below:

> "8. (1) An inclusionary zoning by-law does not apply to a development or redevelopment where,
>
> a. The development or redevelopment contains fewer than 10 residential units,
>
> b. The development or redevelopment is proposed by a non-profit housing provider or is proposed by a partnership in which,
>
> i. A non-profit housing provider has an interest that is greater than 51 per cent, and
>
> ii. A minimum of 51 per cent of the units are intended as affordable housing, excluding any offsite units that would be located in the development or redevelopment.
>
> c. On or before the day an official plan authorizing inclusionary zoning was adopted by the council of the municipality, a request for an amendment to an official plan, if required, and an application to amend a zoning by-law were made in respect of the development or redevelopment along with an application for either of the following:
>
> i. Approval of a plan of subdivision under section 51 of the Act, or
>
> ii. Approval of a description or an amendment to a description under section 9 of the Condominium Act, 1998, or
>
> d. On or before the day the inclusionary zoning by-law is passed, an application is made in respect of the development or redevelopment for a building permit, a development permit, a community planning permit, or approval of a site plan under subsection 41 (4) of the Act.
>
> (2) Despite clause (1) (b), an inclusionary zoning by-law applies to any offsite units that would be permitted in a development or redevelopment."

These exemptions can have an influence on the success of an IZ policy. For example, if sites within a PMTSA are already subject to a development application, they may be exempt from IZ.

It is also common for existing landowners to submit a development application prior to IZ coming into force to avoid the policy, similar to when a municipality is planning to increase development charges and experience a rush of development applications from those seeking to be subject to the lower existing rates. A policy approach that limits the impact to development feasibility can mitigate this issue.

2.8 Net Proceeds from Sale of Affordable Housing Units

The Planning Act does not allow municipalities to plan for tenure, meaning that a developer may choose to satisfy their IZ requirement as either affordable rental or ownership (e.g., condominium). With affordable rental, a municipality can mandate how long the unit must remain affordable. However, with affordable ownership, a household could theoretically acquire an IZ condominium unit at an affordable rate and immediately sell the unit at full market price, which is not a desirable outcome. A municipality can seek to address this issue through the following possible strategies:

- Requiring that a share of proceeds (up to 50% permitted by O.Reg. 232/18) from the sale of the unit be given to the municipality. For example, if the IZ unit is purchased by a qualifying household for $400,000, and sold for $800,000, a municipality can be entitled to 50% of this increase.
- Limiting annual price appreciation to a selected benchmark, such as the Consumer Price Index. This encourages longer-term affordability by protecting home prices from real estate-specific speculation and pressures.
- Purchase of the units by the municipality or a non-profit. These entities can take ownership or purchase these units, which can then be rented to qualified households, or be added to the stock of a perpetual affordable ownership program. Taken further, the municipality could establish the right of first refusal to purchase the affordable unit for itself or the mentioned non-profit when the original purchaser wants to sell.

2.9 Amendments to Ontario Regulation 232/18

Through Bill 23, the Province introduced new regulations to limit the application of IZ. The changes to O.Reg. 232/18 include:

- A maximum set aside rate for affordable housing units or the gross floor area to be occupied by the affordable housing units to a maximum of:
    - “5% of the total residential units that are part of the development or redevelopment”, or
    - “5% of the total floor area of all residential units that are part of the development or redevelopment, not including common areas”.
- A maximum affordability period of 25 years.

- Establishing the lowest price or rent for the affordable housing units as per the Affordable Residential Units bulletin, as identified by the Minister of Municipal Affairs and Housing.

Bill 23 also exempts all IZ units from payment of Development Charges, Parkland Fees, and Community Benefit Charges.

This amendment therefore limits the number and depth of affordable housing units created, as well as limits the length of time they would be affordable for. The amendment also requires the municipality to offer incentives through the waiving of fees and charges.

3.0 Ottawa PMTSAs (Dillon)

3.1 Existing Context

City of Ottawa Official Plan (November 4, 2022)

The City of Ottawa Official Plan ("Official Plan") came into effect on November 4, 2022. The Official Plan directs how the city will grow over time and sets out policies to guide the development and growth of the city.

Section 4 of the Official Plan includes city-wide policies to guide growth. Section 4.2.4 provides policy direction to implement inclusionary zoning. Policy 1 directs the City to implement inclusionary zoning as a priority measure, as provided by Sections 16(4), 16(5) and 35.2 of the Planning Act, as a mechanism to contribute towards meeting the affordable housing goals identified in the Ten-year Housing and Homelessness Plan (through a future amendment to the Official Plan).

The Official Plan divides the city into six concentric policy areas called transects. There are six transects in the City of Ottawa: Rural, Suburban, Greenbelt, Outer Urban, Inner Urban, and Downtown. Each transect represents a different gradation in the type and evolution of built environment and planned function of the lands within it, from most urban (the Downtown Core) to least urban (Rural).

The new Official Plan also designates 26 Protected Major Transit Station Areas (PMTSAs) in Schedule C1 and specifies Kanata North as a candidate for a Community Planning Permit System pilot project. Of those six transects, four contain PMTSAs: Downtown Core, Inner Urban, Outer Urban and Suburban.

The PMTSA, transect, designation and guiding growth management policies are noted in **Table 1**.

The table also notes the proportion of large household dwellings within intensification. Section 3.2 of the Official Plan includes policies to support intensification. Policy 8 states, "Intensification should occur in a variety of dwelling unit floorspace sizes to provide housing choices. Dwelling sizes are categorized into two broad categories, with a range of floorspaces occurring within each category:

a. Small-household dwellings are units with up to two bedrooms and are typically within apartment-built forms; and
b. Large-household dwellings are units with three or more bedrooms or an equivalent floor area and are typically within ground-oriented built forms."

Further, in some PMTSAs, the minimum residential density requirement for intensification, dwellings per net hectare notes that this will be determined as per a Secondary Plan. A Secondary Plan in accordance with Section 12 shall generally be required for the development of new neighbourhoods as shown with a Future Neighbourhood Overlay. Accordingly, the densities in these areas will be established through secondary planning.

Ottawa PMTSAs (Dillon)

Table 1: Official Plan Designations, Density, and Large Dwelling Requirement for Protected Major Transit Station Areas

PMTSA	Transect	Official Plan Designation	Minimum Area-wide Density Requirements, People and Jobs per Gross Hectare[1]	Minimum Residential Density Requirement for Intensification, Dwellings per Net Hectare[2]	Minimum Proportion of Large Household Dwellings within Intensification
1. Downtown	Downtown Core	Hub and PMTSA	500	350	Minimum: 5 per cent Target: 10 per cent
2. Bayview	Downtown Core	Hub and PMTSA	200	250	Minimum: 5 per cent Target: 10 per cent
3. Corso Italia	Downtown Core	Hub and PMTSA	160	250	Minimum: 5 per cent Target: 10 per cent
4. Dow's Lake	Downtown Core	Hub and PMTSA	160	250	Minimum: 5 per cent Target: 10 per cent
5. Lees	Downtown Core	Hub and PMTSA	200	As per Secondary Plan	Minimum: 5 per cent Target: 10 per cent
6. Tunney's Pasture	Inner Urban	Hub and PMTSA	250	250	Minimum: 5 per cent Target: 10 per cent
7. Lincoln Fields	Inner Urban	Hub and PMTSA	200	250	Minimum: 5 per cent Target: 10 per cent
8. Pinecrest-Queensview	Inner Urban	Hub and PMTSA	200	250	Minimum: 5 per cent Target: 10 per cent
9. Mooney's Bay	Inner Urban	Hub and PMTSA	200	150	Minimum: 5 per cent Target: 10 per cent

[1] Gross hectares refers to the area within the designation including non-developable lands such as roads and parks.

[2] Net hectares refers to privately owned lands prior to any potential severance or division and excludes private road areas that provide the same function of a public right-of-way. The expressed densities are for new developments on a per-parcel basis.

Ottawa PMTSAs (Dillon)

PMTSA	Transect	Official Plan Designation	Minimum Area-wide Density Requirements, People and Jobs per Gross Hectare[1]	Minimum Residential Density Requirement for Intensification, Dwellings per Net Hectare[2]	Minimum Proportion of Large Household Dwellings within Intensification
10. Hurdman	Inner Urban	Hub and PMTSA	200	As per Secondary Plan	Minimum: 5 per cent Target: 10 per cent
11. Tremblay	Inner Urban	Hub and PMTSA	200	As per Secondary Plan	Minimum: 5 per cent Target: 10 per cent
12. St-Laurent	Inner Urban	Hub and PMTSA	200	As per Secondary Plan	Minimum: 5 per cent Target: 10 per cent
13. Bayshore	Outer Urban	Hub and PMTSA	200	250	Minimum: 5 per cent Target: 10 per cent
14. Algonquin	Outer Urban	Hub and PMTSA	200	150	Minimum: 5 per cent Target: 10 per cent
15. Tallwood	Outer Urban	Evolving Neighbourhood and PMTSA	120	150	-
16. Knoxdale	Outer Urban	Evolving Neighbourhood and PMTSA	120	150	-
17. Cyrville	Outer Urban	Hub and PMTSA	200	As per Secondary Plan	Minimum: 5 per cent Target: 10 per cent
18. Blair	Outer Urban	Hub and PMTSA	200	As per Secondary Plan	Minimum: 5 per cent Target: 10 per cent
19. South Keys	Outer Urban	Hub and PMTSA	160	150	Minimum: 5 per cent Target: 10 per cent
20. Kanata TC	Suburban	Hub and PMTSA	120	As per Secondary Plan	Minimum: 5 per cent Target: 10 per cent

Ottawa PMTSAs (Dillon)

PMTSA	Transect	Official Plan Designation	Minimum Area-wide Density Requirements, People and Jobs per Gross Hectare[1]	Minimum Residential Density Requirement for Intensification, Dwellings per Net Hectare[2]	Minimum Proportion of Large Household Dwellings within Intensification
21. Palladium	Suburban	Hub and PMTSA	160	250	Minimum: 5 per cent Target: 10 per cent
22. Barrhaven TC	Suburban	Hub and PMTSA	120	As per Secondary Plan	Minimum: 5 per cent Target: 10 per cent
23. Riverside South TC	Suburban	Hub and PMTSA	100	As per Secondary Plan	Minimum: 5 per cent Target: 10 per cent
24. Jeanne d'Arc	Suburban	PMTSA	160	-	Minimum: 5 per cent Target: 10 per cent
25. Place d'Orleans / Orleans TC	Suburban	Hub and PMTSA	120	150	Minimum: 5 per cent Target: 10 per cent
26. Trim	Suburban	PMTSA	160	250	-

3.2 Land Use and Building Height Permissions

Section 6 of the Official Plan defines PMTSAs as Hubs – areas that may include lands adjacent to, or within a short walking distance of an identified rapid transit station or major frequent street transit stop and are intended to be areas of significant intensification. Hubs in Ottawa's Official Plan are envisioned as vibrant, high-density, mixed-use, transit-supportive areas. They permit a wide range of residential, employment, commercial, and institutional uses, with an emphasis on creating a pedestrian and cyclist-friendly environment. Building heights are generally among the tallest in their respective transects, with the greatest heights concentrated near transit stations, and are subject to specific policies within the Official Plan and implementing Zoning By-law.

Land Use Permissions:

- **Permitted Uses:** Generally, Hubs permit a broad mix of uses, including:
  - Residential uses (encouraged throughout the Hub).
  - Commercial and service uses (often required or encouraged on the ground floor of buildings).
  - Office and institutional uses.
  - Large employment uses may be encouraged or required in some Hubs.
- **Prohibited/Restricted Uses:** To support the transit-oriented and pedestrian-friendly nature of Hubs, certain uses are generally prohibited or restricted:
  - Automobile-oriented uses like drive-through facilities and new surface parking lots (other than publicly-operated park-and-ride facilities where appropriate).
  - Industrial uses that could negatively impact adjacent residential uses (due to noise, fumes, etc.) are directed to other employment areas.
- **Mixed-Use Emphasis:** There's a strong emphasis on vertical mixed-use buildings (e.g., commercial at grade with residential or office above) and horizontal mixed uses within the Hub.

Height Permissions: Building heights in Hubs are intended to be among the highest in the city, supporting the planned intensification around transit. The specific height permissions are guided by the Official Plan's transect policies and any applicable Secondary Plans or site-specific policies.

- **General Approach:** The Official Plan directs the highest densities and building heights to be located closest to the transit station or stop within the Hub.
- **Transect Influence:** Height permissions (both minimums and maximums) vary depending on the transect in which the Hub is located (e.g., Downtown Core, Inner Urban, Outer Urban, Suburban). For example:
  - In the **Downtown Core Transect**, Hubs can permit "High-rise" buildings, potentially between 10 to 40 storeys, and "High-rise 41+" (41 storeys and above) subject to specific criteria and area policies.

  - In other transects, Hubs will still feature significant height (e.g., low-rise, mid-rise, and high-rise), but the maximums might differ from the Downtown Core. Minimum heights (e.g., 4 storeys) are often specified, especially within a certain radius of a rapid transit station (e.g., within 800 metres walking distance).
- **Minimum Heights:** The Official Plan often sets out minimum building height requirements within PMTSAs (which frequently overlap with Hubs), for example, not less than 4 storeys within a 400 metre walking distance of a rapid transit station.

3.3 Recent Development Activity

A cursory review of the City of Ottawa's Development Applications Search tool was conducted in early 2025 to research various active and recently completed development applications within the PMTSAs. A sample size was collected, and the results are noted below. Of the various applications reviewed, one application has been pulled for each of the four transects. These examples are indicative of the development occurring within PMTSAs in the four transects identified. As part of the scan, only active and approved Site Plan applications in the last four years were considered. The findings of this review are presented in **Table 2**, and are treated as prototypes for the analysis in **Section 8.0** of this report.

Ottawa PMTSAs (Dillon)

Table 2: Development Application Search Tool Scan - Common Typology

Address	Transect	Unit Count	Bedroom Sizes	Height	Total GFA	Units Per Hectare	Vehicle Parking Supplied
829 Carling Avenue (Site Plan Control Application under Review)	Downtown Core Transect	459	Studio: 50 1 Bed: 193 2 Bed: 189 3 Bed: 27	61 storeys (195 metres)	32,063 m^2	3,022	Resident: 347 Visitor: 30 Total: 385
159 Parkdale Avenue (approved 2021, under construction)	Inner Urban Transect	267	1 Bed: 176 2 Bed: 91	31 storeys (96.5 metres)	17,502 m^2	1,945	Resident: 127 Visitor: 40 Total: 167
1995 Carling Avenue (Site Plan Control Application under Review)	Outer Urban Transect	210	1 Bed: 80 2 Bed: 130	27 storeys (86.8 metres)	20,078 m^2	1,437	Resident: 148 Visitor: 20
180 Kanata Avenue (approved 2022)	Suburban Transect	304	Studio: 49 1 Bed: 127 2 Bed: 128	6 storeys (21.2 metres)	24,639 m^2	273	Total (Residential, Commercial, Visitor): 377

4.0 Demand and Demographic Analysis

The following section provides an overview of the broader macro-level factors that have been driving residential demand and population growth in the Ottawa Region, along with other notable housing trends. This also includes information on forecasted population and housing growth as well as commentary on market forces that are likely to impact Ottawa's high-density residential market in the coming years.

This section also provides an overview of the high-density residential marketplace in Ottawa, which includes information on macro-level market conditions and trends. This includes an assessment of both the condominium and rental apartment markets.

4.1 Ottawa's Population Has Been Growing Faster than the Provincial Average

As of the 2021 Census, the City of Ottawa's population totalled 1,017,430 persons, rising 15% (134,040 persons) during the 10-year period to 2021. As noted in **Table 3**, between 2016 and 2021 the City of Ottawa's population rose by a notable 8.9%, well above some of the largest Canadian cities including Toronto (2.3%), Calgary (5.5%) and Vancouver (4.9%) and above the provincial average (5.8%).

Table 3: Five-Year Growth Rate 2006 to 2021 Census Periods

Five-Year Growth Rate 2006 to 2021 Census Periods		
Census Year	**Ottawa**	**Ontario**
2006	4.9%	6.6%
2011	8.8%	5.7%
2016	5.8%	4.6%
2021	8.9%	5.8%
Source: Statistics Canada		

Mature Downsizers in the 65 to 79 age cohort experienced the strongest population growth (+53%, +44,720 persons) between 2011 and 2021, though they account for a smaller proportion of the population at 13% (see **Table 4**). Young Downsizers between 55 and 64 years of age also grew by a significant 25% or 27,115 persons. Children aged 0-19 years old represented a notable 22% share of the population, rising 10% (20,430 persons) followed closely by those aged 25-39 who represented 21% of the population, rising 19% (+33,205 persons) over the ten-year period.

Table 4: Population Age Distribution for City of Ottawa - 2011 to 2021

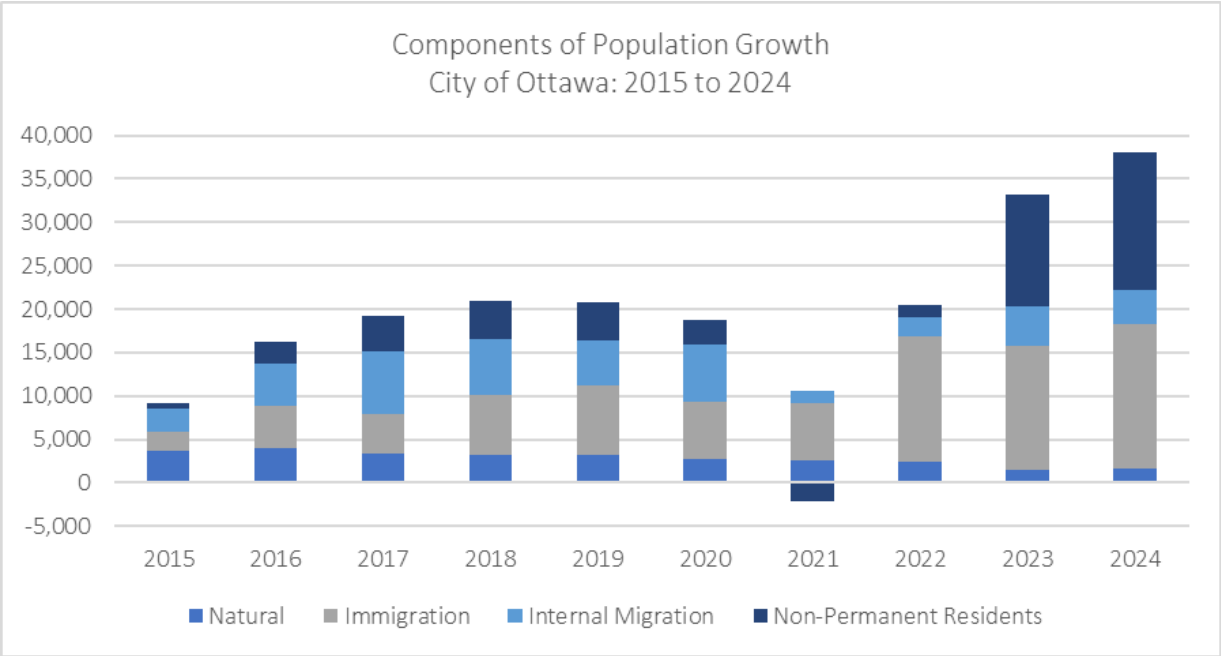
Population Age Distribution City of Ottawa, 2011 to 2021				
Age Group	**City of Ottawa**			
	2021	**%**	**Change 11-21**	
0-19 (Children)	227,305	22%	20,430	10%
20-24 (Students / New Grads)	70,785	7%	4,825	7%
25-39 (Prime Renters / First-Time Buyers)	212,540	21%	33,205	19%
40-54 (Move-Up Buyers / Families)	199,395	20%	-7,090	-3%
55-64 (Young Downsizers)	135,260	13%	27,115	25%
65-79 (Mature Downsizers)	128,670	13%	44,720	53%
80+ (Elderly)	43,475	4%	10,835	33%
Total / Average:	**1,017,430**	**100%**	**134,040**	**15%**
Source: Statistics Canada				

4.2 Immigration and Non-Permanent Residents are Key Drivers of Population Growth

Ottawa has historically exhibited a more fluid population dynamic compared to other major urban centers in Ontario, largely due to the prominent role of the Federal Government. The public sector, along with the presence of a rapidly expanding tech industry and healthcare and educational sectors, has consistently drawn a diverse mix of workers to the region. This influx of talent has included both permanent and temporary residents, with the latter category reflecting the significant number of individuals employed in non-permanent positions, such as government contract workers and international students.

Before the COVID-19 pandemic, Ottawa's population growth was primarily driven by immigration, internal migration, and an increase in non-permanent residents ("NPRs"), alongside a natural population increase. As illustrated in **Figure 2**, from 2016 to 2020, Ottawa experienced a notable acceleration in growth, well above the 10- to 15-year average.

Figure 2: Components of Population Growth



Source: Statistics Canada

However, the onset of the pandemic in 2021 brought a sharp contraction to this trend. The most significant impact was felt in internal migration, with the number of internal migrants falling dramatically to 1,371 in 2021—down from an average of 6,051 between 2016 and 2020. The NPR category, which includes a substantial proportion of international post-secondary students, saw an even more pronounced decline, reflecting the shift to remote learning.

Despite these setbacks, Ottawa rebounded strongly in 2023, achieving record-high growth in both immigrants and NPRs. In 2023, the city welcomed over 16,000 immigrants, surpassing 2022's total of 15,500, and more than three times the 10-year average of approximately 5,000 immigrants annually.

The NPR population saw a similarly notable increase, rising by 11,100 individuals—more than eight times the growth observed in 2022 and over double the pre-pandemic peak of 4,400 in 2019. Much of this surge can be attributed to the return of international students to post-secondary institutions, which resumed in-person learning after pandemic-related disruptions.

Examining 2024, Ottawa's population growth continued to be predominantly driven by immigration and NPRs, with these two groups accounting for 85% of the city's annual growth. Both categories reached their highest growth rates since at least 2002, with over 16,500 immigrants and nearly 16,000 NPRs added to the population respectively.

However, there are signs that this strong growth may be tempered in the near term. The Federal Government recently adjusted its immigration targets downward and introduced caps to NPR targets. These shifts could slow the pace of population expansion, particularly in the immigrant and NPR segments. This will be discussed in the sections to follow.

4.3 Population Growth Driven by Young Adults

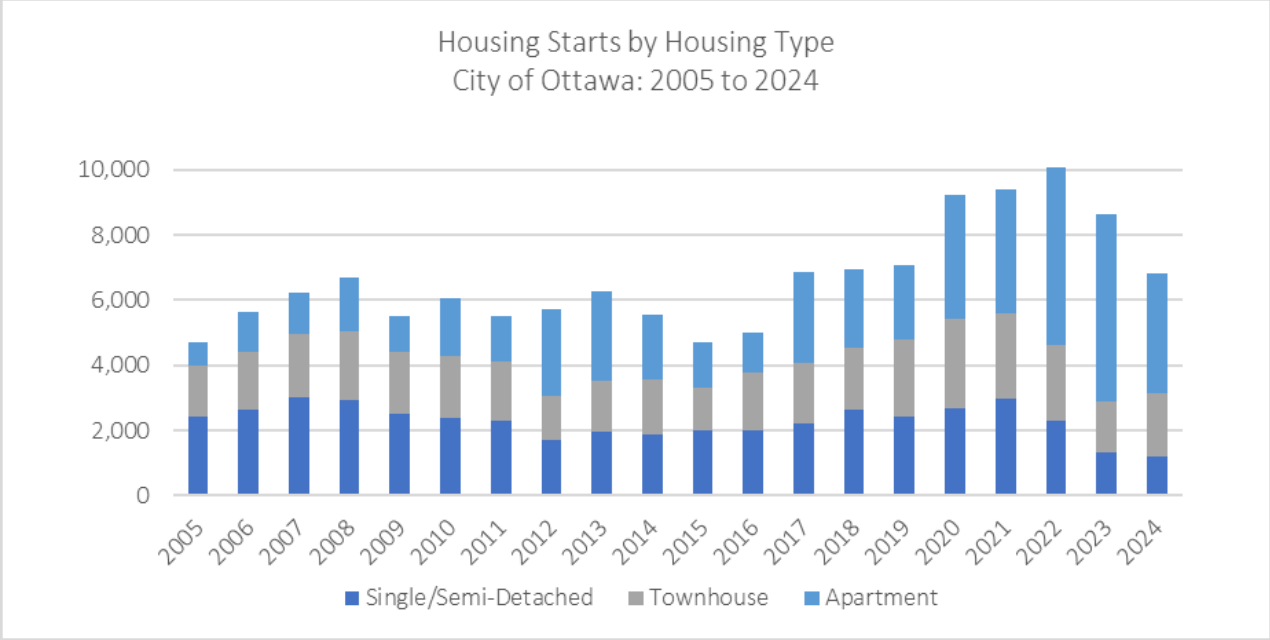
Ottawa's recent population growth has been predominantly driven by young adults, particularly those aged 20 to 39, a group that includes post-secondary students and young professionals. Over the past two decades, individuals in this age range have consistently represented 50% to 60% of all migrants to the city, both domestic and international. Children aged 19 and under make up an additional 35% to 45% of new arrivals annually, with those over 40 accounting for a much smaller proportion of the population growth.

This trend is especially significant given that young adults, post-secondary students, and non-permanent residents are a key source of demand for higher-density housing, such as rental apartments and condominiums. This demand has contributed to recent a surge in construction and development in Ottawa's residential real estate market, to be discussed later in the report.

4.4 Housing Starts Impacted by Inflation and High Interest Rates

Over the past decade, the City of Ottawa has averaged approximately ~7,473 housing starts per year, with the most recent five-year period seeing an average of about 8,830 housing starts per year. This includes nearly 10,000 starts between 2020 and 2022 – the highest number of annual starts over the past 20 years (see **Figure 3**).

Figure 3: Housing Starts by Housing Type



Source: CMHC Housing Portal

It is important to note that there is a lag between the initiation of a residential development project and (i.e., land acquisition) and the time at which a housing start is recorded. In many cases it can take several years for a project to advance through the predevelopment stages. This means that the strong housing start data demonstrated throughout 2020 to 2023 was representative of investment decisions made largely in the pre-pandemic economic environment. Since then, the sudden rise in interest rates in 2022 and 2023 in addition to rising construction costs, have led to many residential projects stalling or cancelling altogether. Given this, housing starts decreased to 6,800 homes in 2024, a 32% reduction from 2022 to 739 units in 2023.

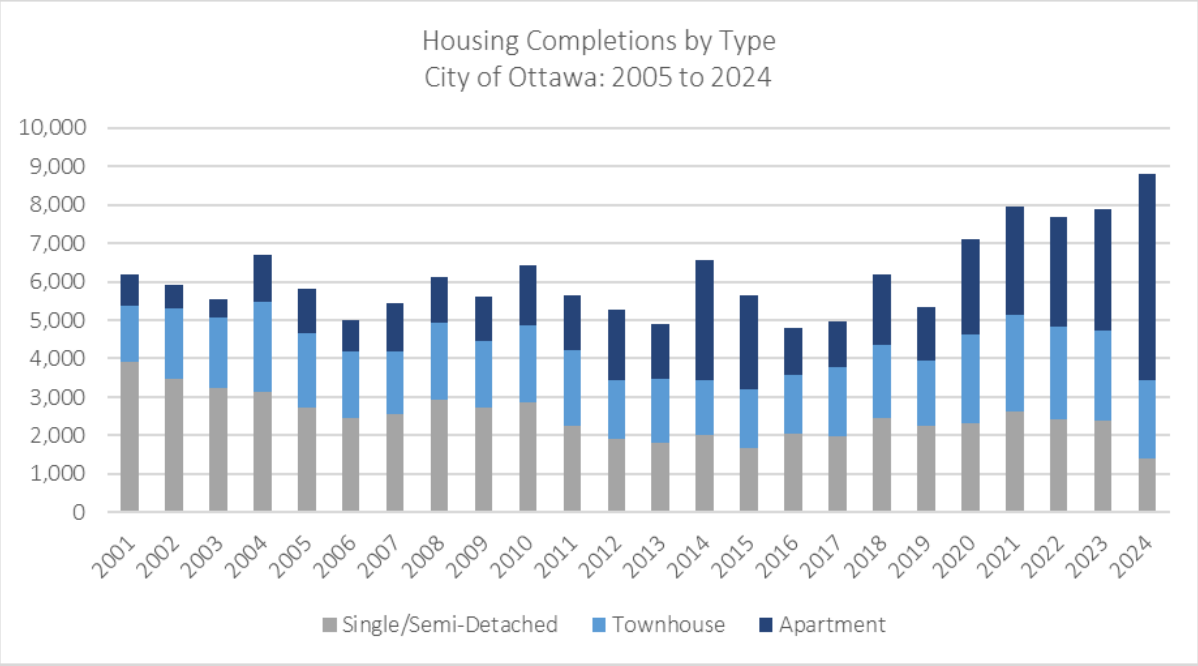
Notwithstanding this, even 6,800 homes is still elevated relative to historical trends. While it is within a similar range to the annual numbers recorded between 2017 and 2019, it is still higher than the 10-year 5,970 home average between 2010 and 2019.

It is expected that housing starts will continue to decline in 2025. Over an extended period, this could lead to a reduction of housing completions in the coming years and potentially a tightening of market conditions, leading to increased prices particularly in the resale market and throughout purpose-built rental supply.

4.5 Housing Completions Continue to Trend Higher

Housing completions in the City of Ottawa have exceeded 7,000 homes annually in each of the past five years (2020-2024), culminating in a record high of nearly 8,800 homes in 2024 (**Figure 4**). Prior to 2020, the City of Ottawa had never exceeded 7,000 housing completions in any single year. This surge in new housing supply is impacting the overall market, generally contributing to softer prices and greater home availability.

Figure 4: Housing Completions by Housing Type



Source: CMHC Housing Portal

Again, it is important to note that these completions are largely the result of market conditions from several years ago—when interest rates were lower, and construction costs were more favorable. The housing units hitting the market now reflect a market environment from the mid-2010s to early 2020s, and as such, the current spike in completions cannot capture the current challenges and dynamics in the Ottawa market today.

It can be concluded that high levels of housing completions are signs of what was a notable shift in Ottawa's housing supply landscape, reflecting modest growth in development activity and a policy environment more supportive of new construction. While the elevated supply may help alleviate some affordability pressures, its long-term impact will depend on population growth, interest rates, and absorption capacity.

4.6 Apartment Dwellings Lead the Market for Housing Starts and Completions

Low-density single and semi-detached homes have historically been the predominant housing typology in Ottawa, accounting for about 41% of all housing starts over the 10-year period between 2005 and 2014[3]. However, over the past decade, apartments have represented a more significant proportion of the local Ottawa market. Since 2015, apartments in condominium and rental tenure have accounted for 44% of housing starts and 42% of completions, compared to 29% of starts and 26% of completions between 2005 and 2014.

The higher proportion of apartment starts has largely been at the expense of single and semi-detached homes which have seen their share of starts decline from 41% between 2005 and 2014 to 23% over the past 10 years.

Townhouses have been able to retain a consistent market share around 30% largely because they offer a more affordable price point than single-detached homes, are less land intensive, and more appropriate for infill opportunities. As housing prices in Ottawa increase in the coming years – having grown by 50% over the past five years[4] – apartments and townhouses are likely to continue to increase in popularity.

4.7 Rental Apartment Starts Have Increased in Ottawa in Response to Demand

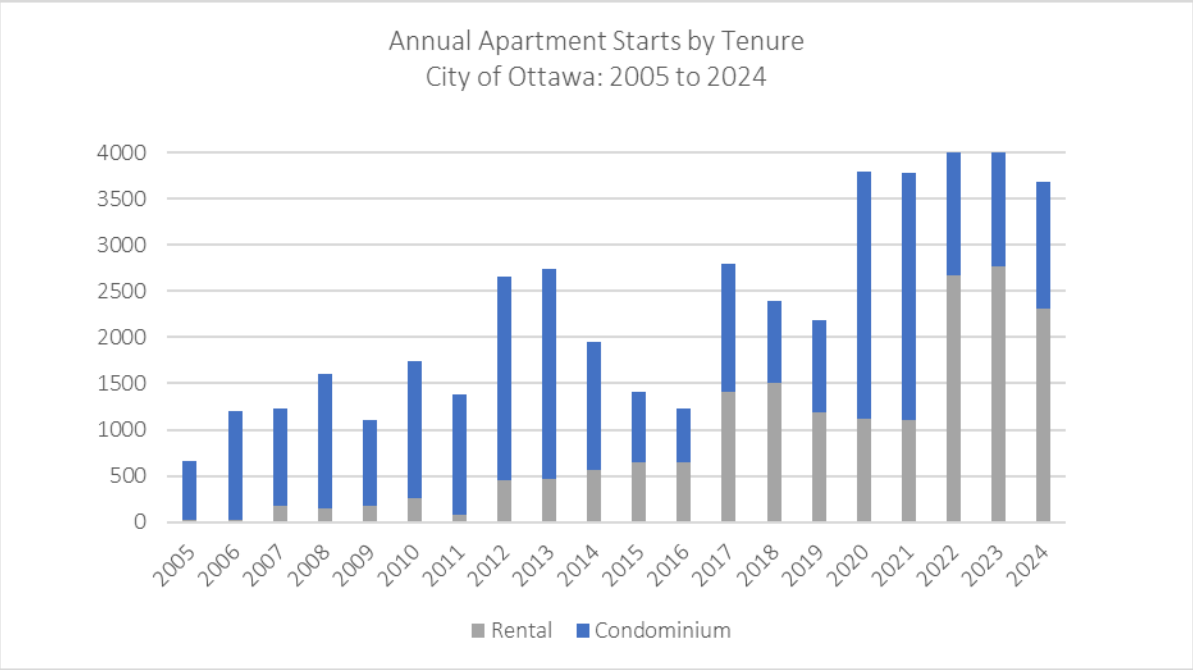
Condominium tenure units have historically accounted for the majority of new apartment development in Ottawa, accounting for 77% of completed apartment units between 2004 and 2018. However, this has shifted in a significant way in recent years, as rental tenure buildings have accounted for 86% of apartment completions since then. Rental tenure units have accounted for at least 79% of apartment completions in each of the past five years, after not even reaching a 50% share in any single year since 2003.

[3] Statistics Canada.

[4] Ottawa Real Estate Market Updates, May 1, 2024, agentinottawa.com. Pricing is based on average resale prices for all housing types.

As shown in **Figure 5**, the past three years have seen a notable rise in new rental apartment development, with a total 7,756 rental apartment starts between 2022 and 2024 – accounting for nearly 52% of all apartment starts during this period. If rental market conditions remain tight, strong demand could potentially lead to more interest from investors in the condominium apartment market in the future.

Figure 5: Annual Apartment Starts by Tenure



Source: CMHC Housing Portal

4.8 Ottawa is Forecast to Grow by Up to 392,000+ Persons to 2046

In 2021, the City of Ottawa adopted a new Official Plan. As per the new Official Plan, the City of Ottawa's population is anticipated to reach nearly 1,410,000 persons by 2046, with the highest growth expected to occur over the next 10 to 15 years. On a straight-line basis from the 2021 Census population, this represents an increase of approximately 392,170 persons or approximately 15,000 persons per year over this 26-year period (see **Table 5**).

Table 5: Housing Demand Forecast for City of Ottawa

Housing Demand Forecast City of Ottawa	
Population	
2021 Population	1,017,430
2046 Population (Forecast)[1]	1,409,600
Increase 2021 to 2046	392,170
Avg. Annual Increase (2021 to 2046)	15,083
Households	
2021 Households	429,000
2046 Households (Forecast)[1]	591,000
Increase 2021 to 2046	162,000
Avg. Annual Increase (2021 to 2046)	6,231

1: City of Ottawa, Official Plan
Source: Statistics Canada

The Official Plan also provides updated housing forecasts, with the City of Ottawa expected to grow by approximately 162,000 households between 2021 and 2046. This translates to an average annual housing need of over approximately 6,230 units. While this is higher than what has been delivered over the past decade (6,405 units average annually), it is in line with more recent completion trends over the past five years (7,183 units average annually).

Most growth was projected to occur within the urban areas of the city, with the majority of growth to be through intensification. Immigration is expected to account for 79% of the residential growth, with the population trending older by 2046[5]. However, it is not clear how revised immigration targets and adjustments to international student recruitment will affect this outlook for the city.

4.9 Federal Policies Could Impact Residential Market Moving Forward

In 2023, Canada welcomed over 471,700 new immigrants, surpassing the Federal Government's target of 465,000. This comes after a previous record-breaking 437,000 people became permanent residents in 2022. In addition to permanent residents, temporary migration to Canada also surged in recent years, with a net increase of over 800,000 non-permanent residents in 2023.

[5] City of Ottawa Official Plan, Section 3.

The majority of these non-permanent residents were temporary workers responding to labour market needs in the different provinces and territories, followed by international students[6].

While Canada relies on immigrants to boost its economy and replace the aging population, record-high population growth in recent years (largely attributed to a rise in temporary residents) has put further pressure on the already tight housing supply. In response to these impacts, the Federal Government has set limits on the number of temporary residents and has reduced targets for new permanent and non-permanent residents.

Effective September 2024, Canada reduced the number of temporary residents to 5% of the population, down from the current 6.2%[7]. This will essentially require that Canada's temporary residents go from an increase of more than 800,000 persons in 2023, to a net decrease in each of 2025 and 2026.

In October 2024, the Canadian government also announced that permanent resident (immigration) targets would be reduced from 500,000 to 395,000 in 2025, 380,000 in 2026, and 365,000 in 2027.

These reductions will have a significant impact on Canada's growth in the coming years, projected to result in a marginal population decline of 0.2% in both 2025 and 2026, before returning to modest growth of 0.8% in 2027.[8]

How these changes will impact the Ottawa market specifically remain to be seen but given that a large proportion of immigrants and non-permanent residents settle in Ottawa, this change alongside other economic challenges, are likely to have compounding impacts on the level of demand for housing in the near-term relative to what has been occurring in recent years.

4.10 Inflation and Borrowing Costs Have Significantly Impacted the Residential Market

To tackle rising inflation, the Bank of Canada increased the overnight lending 10 times over the course of 2022 and 2023. This had a significant impact on borrowing costs, leading to softening across most residential sectors. The resale market was most impacted, with a notable drop in both sales and prices, while developers in the new construction sector delayed many projects in the second half of 2022 and throughout 2023, leading to very low sales and declining pricing.

Higher interest rates have also impacted construction borrowing costs, which have had an impact on the feasibility of new development and on the land market. We would expect that soft market conditions could continue through much of 2025 as the buyers and sellers work through the high amounts of available inventory. Uncertainty caused by the current administration in the United States further strengthens the likelihood that market conditions will remain soft for at least the near-term.

[6] Statistics Canada.
[7] CBC News: Federal Government Aiming to Shrink Temporary Residents' Share of Population by 2027 (March 2024).
[8] Government of Canada.

4.11 Tariff Threats from United States Create Additional Market Uncertainty

On the heels of a period of market uncertainty driven by high inflation and increased interest rates, trade tensions between Canada and the United States present additional risk to economic stability and consumer confidence.

Tariffs, supply chain disruptions, and shifting trade policies could impact key industries, employment levels, and overall economic growth, which in turn could influence both housing demand and the ability of builders to provide housing at attainable prices.

Prolonged economic uncertainty commonly results in cautious consumer behaviour, affecting both residential absorptions and pricing. If residents need to spend more of their income on everyday purchases due to tariffs, and if prices of other big-ticket items (such as cars) increase, then households will have less to spend on housing and in some cases may delay decisions related to homeownership and other housing-related matters.[9]

4.12 The Resale Market Declines in Response to Macroeconomic Events

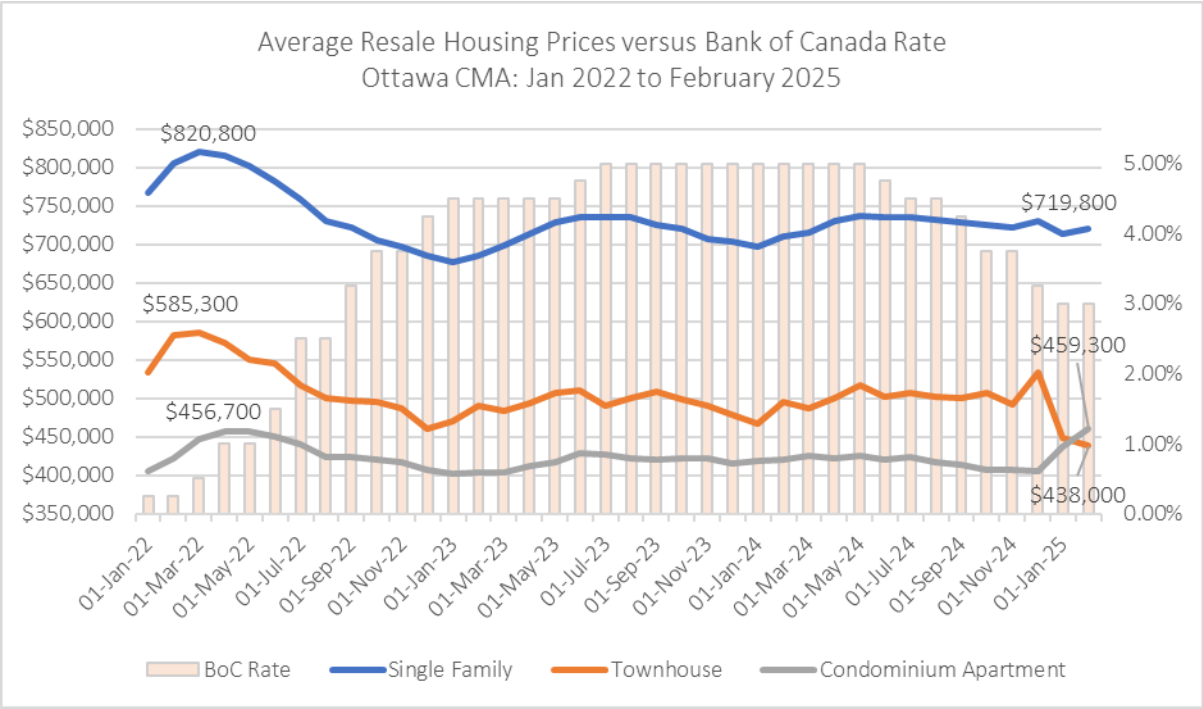
The resale market in Ottawa experienced steady growth in pricing between 2014 and 2022, with an average annual increase of 13% for all housing types during this period. While resale prices have since fluctuated, they remain below the early 2022 peak.

During the two and a half-year period from January 2022 to April 2024, resale prices across varying housing types saw a decline. Prices rebounded in early 2023 as interest rates stabilized for a time, before declining again as rates rose again in mid-2023.

As illustrated in **Figure 6**, resale prices for single-detached homes in Ottawa have fallen by nearly 12% from an average of $820,000 at the peak of the market in March 2022 to an average of $719,000 as of February 2025. Comparatively, resale townhouse homes fell by 25% at the peak of the market in March 2022 to an average of $438,000 as of February 2025. Condominium apartments remained relatively stable throughout the pandemic, oscillating between averages of $400,000 to $450,000. Overall, resale pricing for all housing types is currently down about 10% from the early-2022 peak.

[9] TD Economics, Canadian Quarterly Economic Forecast, March18, 2025

Figure 6: Average Resale Housing Prices versus Bank of Canada Rate



Source: CREA-MLS Home Price Index, Bank of Canada

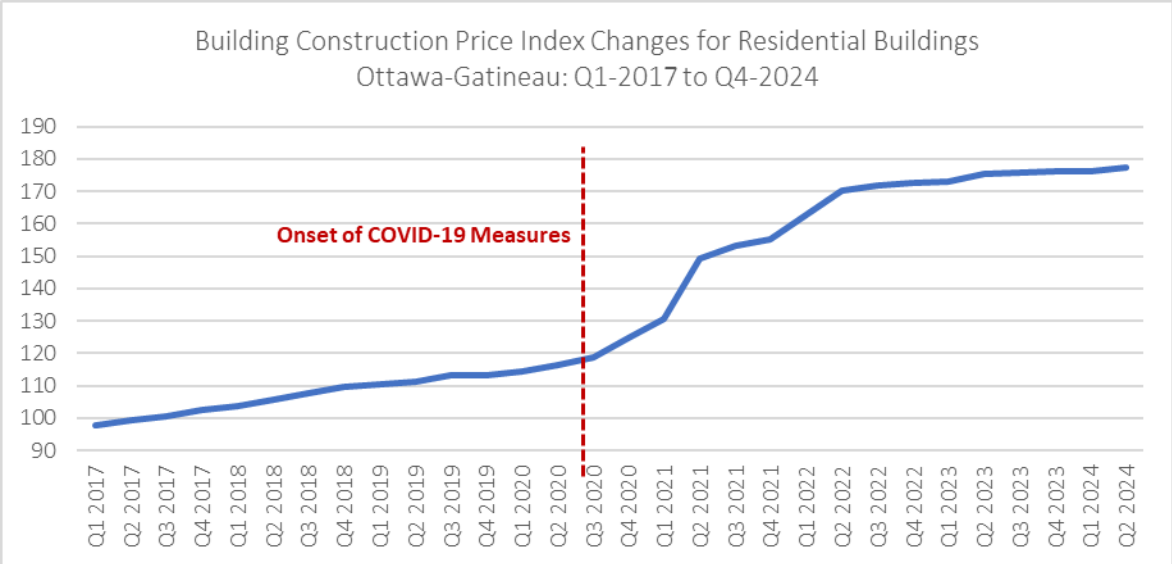
5.0 Residential Apartment Market Overview

The following subsection provides a high-level overview of the major challenges affecting both the purpose-built rental and condominium apartment development throughout Ottawa.

5.1 Construction Costs Have Increased Rapidly Since the Pandemic

A major input into a developer's proforma are construction costs. A major factor influencing market trends is the relationship between development costs and revenues. Residential construction costs increased modestly across the Ottawa-Gatineau area prior to the COVID-19 pandemic, with the Building Construction Price Index ("BCPI")[10] for residential buildings increasing by an annual average of less than 5% between 2017 and 2020 (**Figure 7**). While this average increase was above inflation and general CPI, it was nonetheless a moderate pace of inflation that was generally outpaced by growth in home prices. This situation allowed developers to continue developing new housing with limited impacts to feasibility, which resulted in substantial housing construction over this period.

Figure 7: Building Construction Price Index Changes for Residential Buildings



Source: Statistics Canada

[10] Statistics Canada's Building Construction Price Index ("BCPI") measures changes in prices that contractors charge to construct a range of new buildings. This includes the value of all materials, labour, equipment, overhead, and profit to construct a new building.

However, as illustrated in **Figure 7**, construction costs started increasing dramatically by the end of 2020 with the onset of the COVID-19 pandemic and associated lockdown measures. Since the pandemic, the BCPI for residential buildings has increased by an annual average of 12%, with an overall increase of 55% between 2020 and 2024. This significant increase in construction costs can be explained by several factors, which include:

- Major disruptions to global supply chains due to the global pandemic and major conflicts abroad.
- Extraordinary demand for high-density housing due to the large influx of immigrants and significantly higher home prices.
- A shortage of skilled labour, tied to retiring workers and a lack of new entrants into the relevant industries.
- A surge in inflation, which was also driven by high housing demand and supply chain issues.

While some industry experts are expecting the pace of construction inflation to moderate in the near term, most do not expect that they will fall substantially back to pre-pandemic norms.

5.2 Condominium Apartment Market

The cumulative impact of the factors discussed in earlier sections of this report have resulted in fewer condominium developments “launching” (i.e., beginning a marketing campaign and advancing pre-construction sales). New project launches have declined year over year from 2019, averaging 1 new launch per year. As of March 2025, two new projects had launched, both low rise developments in the suburban market where land costs are more affordable in comparison to the downtown core.

In addition to a decreasing amount of condominium apartment supply, some projects have also cancelled, with developers planning to re-launch in the future when market conditions are stronger. Some of these cancelled projects are also a result of developers entering into receivership or creditor protection.

There are several key and interrelated factors contributing to this situation:

- For many projects, the cost of development is higher than the achievable market pricing necessary for the project to be viable. This is a result of rising construction costs and interest rates that increase financing and carrying costs, as well as rising municipal fees and charges (e.g., development charges).
- In addition to rising development costs, achievable market pricing is also declining. When interest rates rise, the purchasing power of buyers is negatively impacted for both new and resale homes. This has resulted in the price of both new and resale homes declining.
- Rising interest rates has also decreased the pool of potential purchasers that might qualify for financing a new home while also “cooling” the market in general as expectations of future price appreciation has softened. This has resulted in new home sales declining, which is further impacted by policies such as a ban on foreign investor purchases.

- It is important to identify that investors are an important driver of new condominium developments. Given the significant lag between the purchase of a pre-construction home and its final occupancy (e.g., typically 3 to 5 years, or more), many end users would prefer to purchase a home they can live in today (i.e., a resale home). Without a significant source of sales from investor purchases, larger projects will be disproportionately affected as typical construction loan terms require that developers pre-sell at least 70% of their units to substantially de-risk the project for the construction lender to advance funds.
- As the unsold inventory of projects currently in pre-construction status continues to increase, there is less incentive for new projects to launch as competition for buyers will increase.
- As the gap between resale and new sale homes continues to widen, and the outlook for future price appreciation remains modest, there is little incentive for an end user or investor to purchase a pre-construction home in the current market.

While these conditions are currently challenging for both residential developers and consumers of housing, it is important to recognize that the market is cyclical. After a decade of remarkable growth and strength, conditions are now moderating to a new “normal”. While nobody can predict the future, it is expected that conditions will improve as land values continue to adjust and land begins to transact with assumptions tied to current market conditions. Further, if interest rate cuts continue occur, as signaled by the Bank of Canada, and construction costs moderate, feasibility could improve.

New Condominium Apartment Sales Are Slow to Launch

The trends noted above are visible in the downtown, inner/ outer urban and suburban areas, with new condominium apartment sales slowing and a limited number of new projects launching.

At the time of writing, only seven actively marketing condominium projects across all three transects met the criteria for comparison. Several projects were excluded from this analysis due to factors such as an outdated launch timing, or location outside of established market boundaries for this review. The qualifying projects have collectively achieved an average absorption of approximately 74% of total inventory to date.

Notably, five of the seven projects commenced sales activity between 2019 and 2020, suggesting prolonged sales cycles and limited velocity in pre-construction condominium transactions. With absorption rates averaging just 1 to 2 unit sales per month, the data points to sustained softness in market demand, particularly within the pre-sale segment (a trend influenced by macroeconomic uncertainty) elevated interest rates, and the available of relatively attainable options in grade related housing typologies that often better suit end-user purchaser preferences.

Of the active inventory, the two most recent launches (Locale; Pathways at Findlay Creek) are both located in suburban Ottawa. These low-rise, three-storey developments comprise between 18 and 28 units each and emphasize larger suite formats, aligning with suburban buyer preferences for greater living space and more family-oriented layouts. This stands in contrast to the denser, smaller-unit typology seen in more central locations.

Downtown condominiums averaged 673 square feet, reflecting a unit mix favouring compact unit layouts targeting investors or urban professionals. In comparison, inner and outer urban projects averaged 856 square feet – heavily influenced by The Spencer at Greystone, which features a higher concentration of two-bedroom units. Suburban developments posted a more moderate average unit size of 727 square feet, consistent with the market's demand for livable space without urban premium pricing.

Pathways at Findlay

Spencer at Greystone

Claridge Royale

Source: Project Marketing Materials

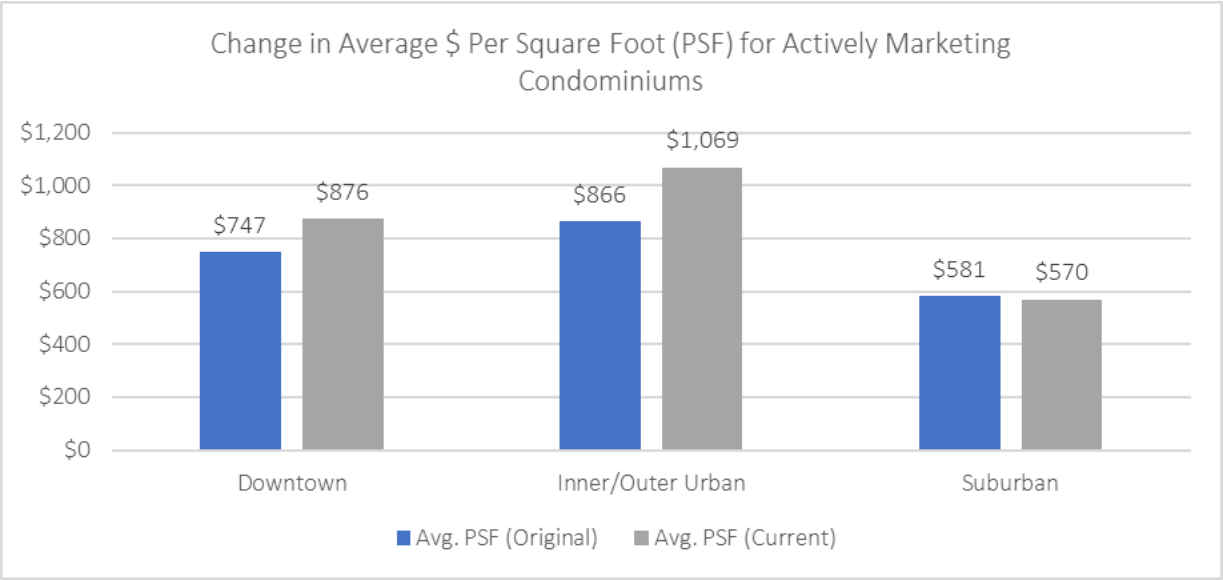
Modest Pricing for New Condominium Apartments in Ottawa

Pricing for new condominium apartment projects in Ottawa is modest, with remaining inventory at the seven surveyed projects currently priced at an average index price of $860 per square foot ('psf'). When broken down by market, **Figure 8** illustrates that the pricing varies from $876 psf, $1,069 psf and $570 psf in the downtown, inner/outer urban and suburban areas.

In terms of end-pricing, available studio unit types started at $243,000, one-bedroom unit types started at $331,000, and two-bedroom unit types starting at $420,000. No three-bedroom units were available at the time of study. Notably, the only available units priced above $1 million were three-bedroom plus den penthouses or townhouse units averaging approximately 1,650 square feet.

While **Figure 8** would indicate a strengthening of the market, we note that this upward movement in pricing is in part due to the pre-sale nature of condominium units. Larger units, such as two-bedroom and three-bedroom condos, are typically the last to be sold. These units are more likely to appeal to end-users—buyers who prefer to view a unit in person before committing to purchase, as they are looking for a move-in-ready home rather than an investment product. As a result, the remaining inventory tends to skew toward larger, higher-priced units (some developer's also employ a dynamic pricing model that may increase pricing over time for the most in-demand unit types). This upward pricing trend does not necessarily signal overall market strength but rather highlights the lingering supply of larger units yet to be sold.

Figure 8: Change in Average Dollars Per Square Foot for Condominiums



Source: Zonda Urban.

Larger Units Prevail Outside the Core

In the downtown market, one-bedroom units account for the largest share at 46%, a reflection of developer strategies to maximize unit yield in response to higher land and construction costs. Two-bedroom units follow at 26%, while studios represent 16% of the total mix—indicating a continued emphasis on smaller, investor-oriented formats.

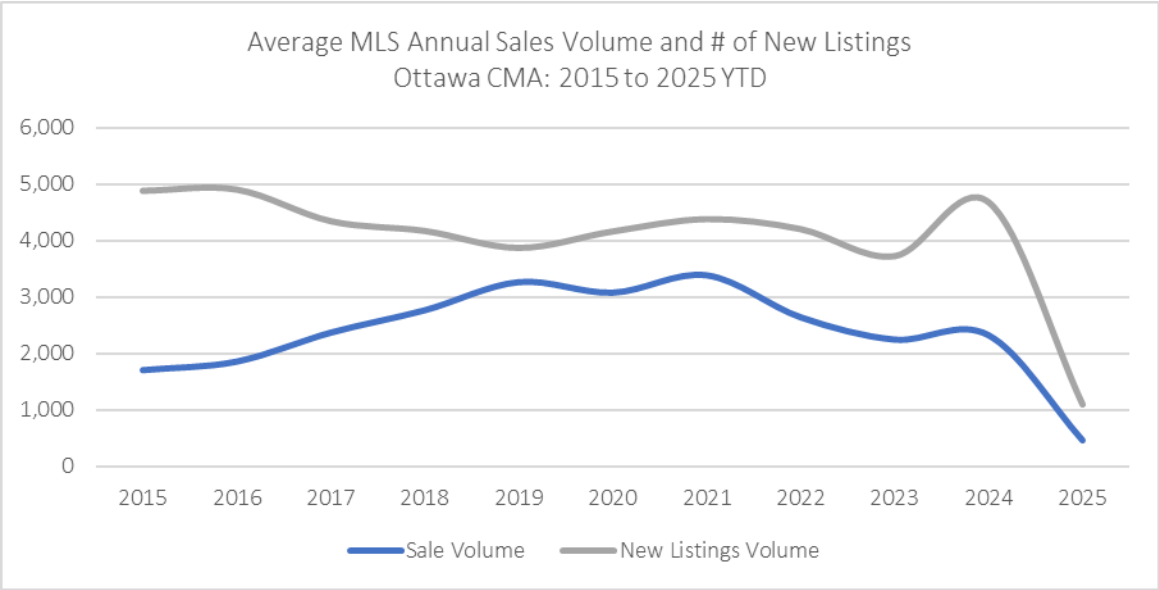
In contrast, the inner/outer urban market is weighted toward larger suites, with two-bedroom plus den units comprising 29% of the inventory—driven largely by The Spencer at Greystone. Studios account for 22%, followed by two-bedroom (18%) and one-bedroom (14%) units, suggesting a more balanced, end-user-oriented product offering.

The suburban market shows a clear preference for larger unit formats, with 57% of available units being one-bedroom plus den, 26% two-bedroom, and 17% two-bedroom plus den. Notably, no studio units are currently offered in suburban projects, reinforcing the trend toward larger, more functional layouts in lower-density areas.

The Resale Condominium Market Is Slowing Down

Following six years of consistent year-over-year growth, the Ottawa condominium resale market experienced its first decline in total sales volume between 2021 and 2022. This downward trend has persisted through to 2025, signaling a notable weakening in demand for resale apartments (see **Figure 9**).

Figure 9: Average MLS Annual Sales Volume and Number of New Listings



Source: Ottawa Real Estate Board.

The slowdown can be attributed to several key factors, including rising interest rates and broader economic uncertainty, which have dampened buyer confidence. As a result, fewer transactions are occurring, indicating a cooling market where potential buyers are either more hesitant or financially constrained, particularly considering rising mortgage costs and economic stability.

In parallel, the volume of new condominium listings has also declined (see **Figure 9**), suggesting that fewer property owners are opting to place their units on the market. The combination of reduced sales and fewer new listings points to a market characterized by uncertainty, where both buyers and sellers are adopting a more cautious stance. This lack of activity has contributed to a noticeable slowdown in overall market dynamics.

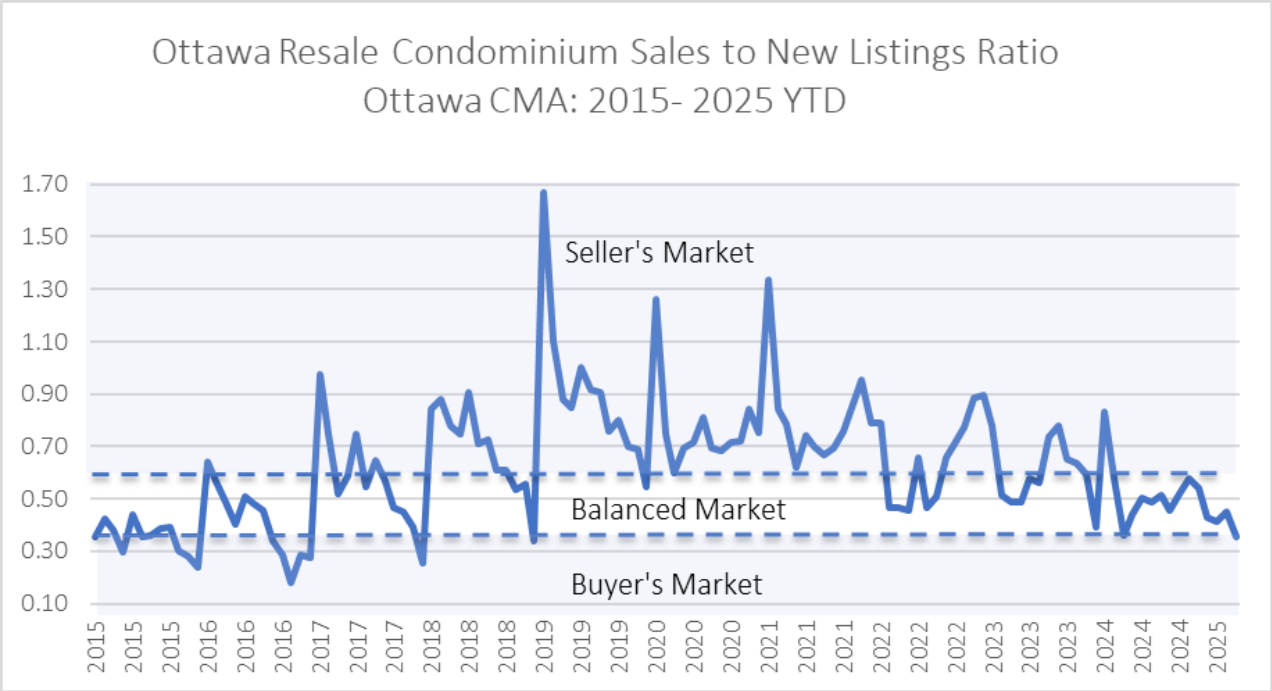
Furthermore, the average days on market has increased significantly, rising from 22 days in 2020 to 49 days in Q1 2025. This trend reflects that condominium units are taking considerably longer to sell, further emphasizing a cooling of the market.

Condominium Sales are Shifting Towards a Balanced Market

The condominium resale market is usually considered “balanced” when the sales-to-new-listings ratio is between 0.40 and 0.55. A ratio below 0.40 represents a buyers’ market while a ratio above 0.55 is considered a sellers’ market. A ratio of 0.55 means that on average, every month, 55% per cent of all newly listed condominiums were sold.

The ratio decreased from an average of 0.84 in 2019 to 0.50 in 2024, moving towards a more balanced market. Ottawa has been in a seller’s market since 2017, after maintaining a balanced market from 2012 to 2016 (see **Figure 10**).

Figure 10: Ottawa Resale Condominium Sales to New Listings Ratio Ottawa CMA: 2015-2025 YTD



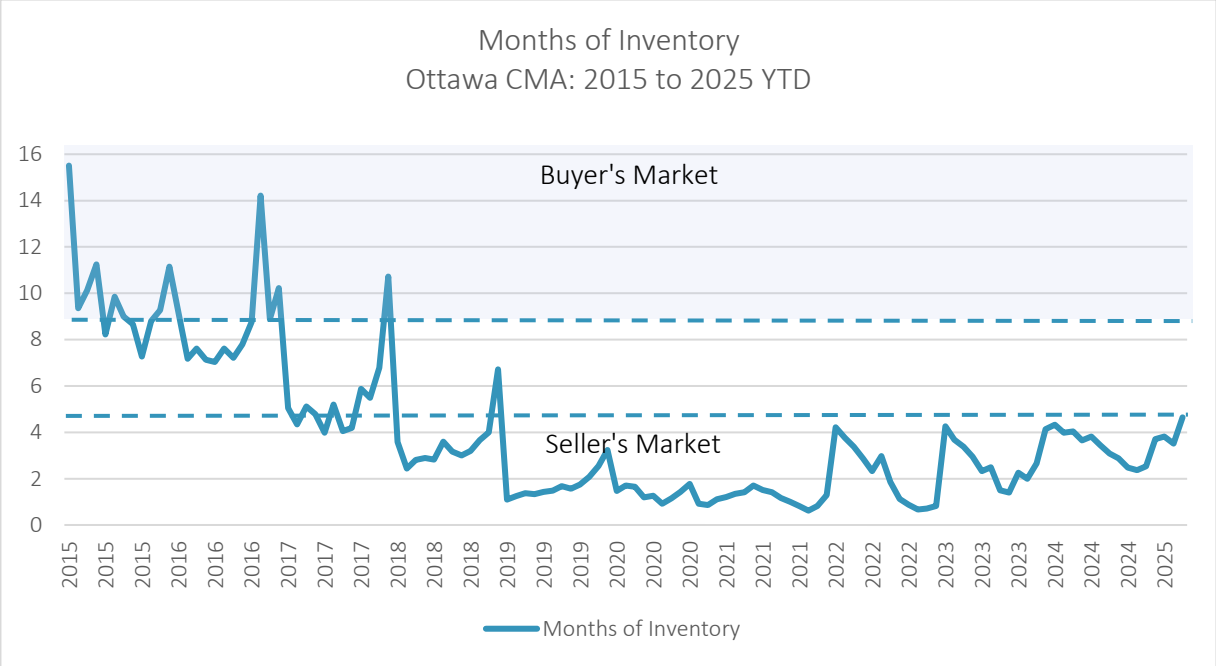
Source: Ottawa Real Estate Board.

While the resale market is now transitioning greater balance, it's important to note that Ottawa's condominium market is constrained by limited supply. The availability of condos remains relatively low, preventing the market from fully achieving equilibrium in terms of both supply and demand. This supply constraint has helped prevent drastic price declines, even as sales volumes have decreased.

Prices have leveled off since 2021, with no significant growth observed during this period. This stability in pricing reflects a market that is no longer seeing the same aggressive price increases driven by high demand and constrained supply. Conversely, months of inventory rose from an all-time low of 1.2 months in 2020 to 4.0 months in the first quarter of 2025 (see **Figure 11**).

The number of months of inventory is a measure of how long it would take to sell the current inventory at the current rate of sales activity. As the market has shifted towards greater balance, condominium units are spending more time on the market, with a noticeable increase in the first quarter of 2025 compared to the previous year.

Figure 11: Months of Inventory - Ottawa CMA: 2015 to 2025 YTD



Source: Ottawa Real Estate Board

5.3 Rental Apartment Market

The following subsection provides an overview of the rental housing market in Ottawa. This includes commentary on macro-level data from CMHC, as well as a survey of available rental inventory in the primary (purpose-built) and secondary (privately leased) rental markets.

Governmental Changes Being Undertaken to Improve New Rental Feasibility

Developers across Ontario have had challenges advancing new purpose-built rental housing over the past decades as this investment has generally produced lower returns relative to condominium development. However, it is worth noting that there have been a number of changes over the past year that should benefit purpose-built rental development feasibility moving forward, which include:

- The removal of HST from new rental developments.
- The Provincial government announcing that they will allow municipalities to provide purpose-built rental developments with a reduced property tax rate.
- The Federal government announcing that they will be providing a $15 billion top-up to their existing Apartment Construction Loan Program.

The above noted changes, along with anticipated interest rate reductions (which improve financing conditions for rental projects) and potential reductions to Development Charges through a new federal housing plan, should continue to help improve the economic feasibility of new rental development in the coming years. The City of Ottawa already sees significant purpose-built rental investment and these market interventions are likely to support a degree of sustained investment relative to historical trends.

Average Vacancy Remains Stable Despite Robust Demand in Ottawa

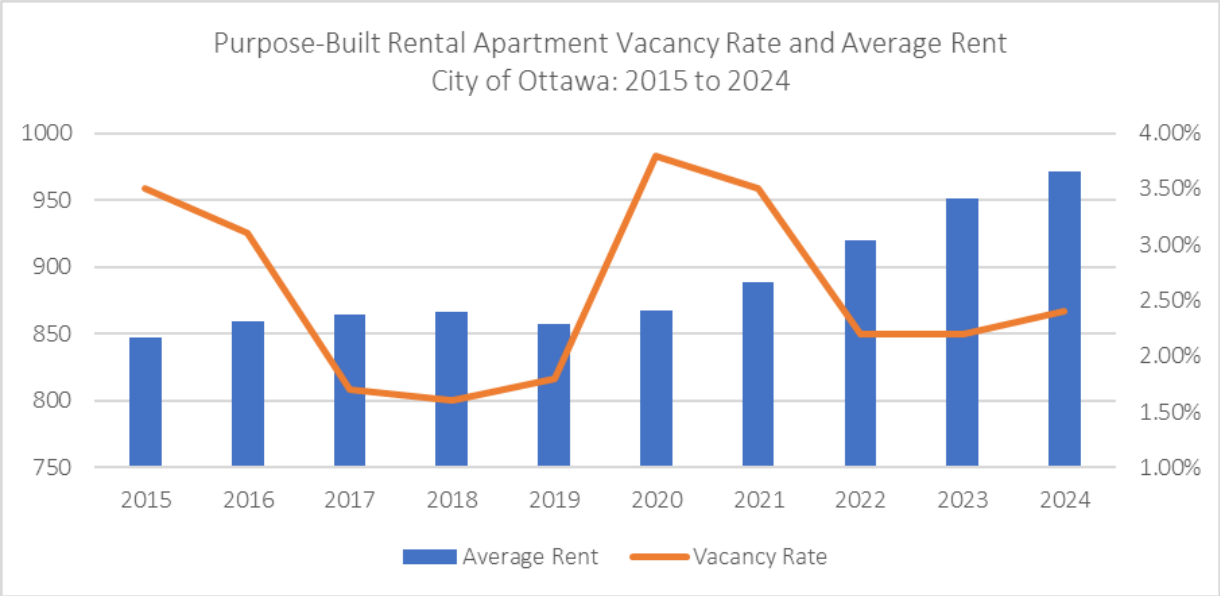
According to CMHC, monthly rental rates have increased from $847 per month in 2015 to $971 per month in 2024[11] (see **Figure 12**). Average rent growth has been supported by international migration and young renting households unable to access the homeownership market.

Ottawa has also experienced a rise in interprovincial migration coupled with a decline in residents moving out of the city. Demand is also likely supported by recent workforce changes from the Federal Government, requiring public servants to have a greater in-office presence.

Despite this demand, average apartment vacancy rose to 2.5% in 2024. This was up from 2.1% in each of the past two years and, with the exception of the pandemic-impacted 2020 and 2021 years, represents the highest vacancy rate in Ottawa since 2016.

While this increase in the vacancy rate may be seen as representing some market softening, we note that a 2.5% vacancy rate still represents what is considered to be a tight market – with balanced conditions generally ranging from 3.0% to 5.0%.

Figure 12: Purpose-Built Rental Apartment Vacancy Rate and Average Rent for City of Ottawa: 2015 to 2024

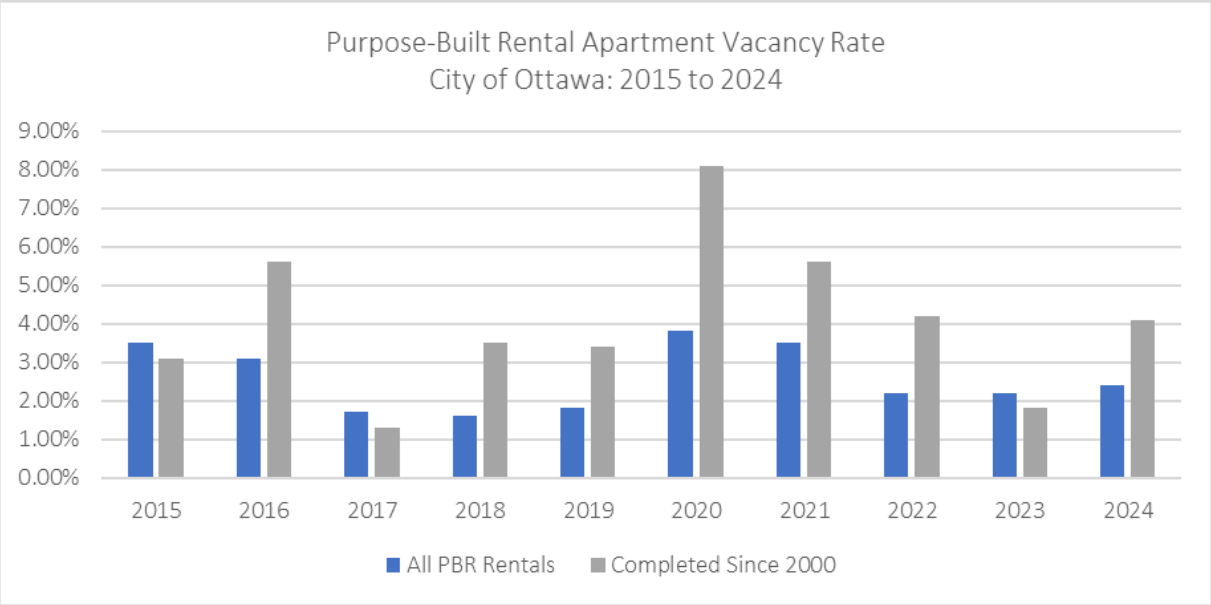


Source: CMHC.

[11] However, it should be noted that the average rents from CMHC include all purpose-built rental units regardless of age, quality, or whether they are currently rent controlled. These rental rates also exclude the secondary rental market.

As previously mentioned, rental tenure apartments have dominated the new supply of apartment starts in Ottawa from 2022 onwards, with a record setting 4,900 rental apartment coming online in 2024. Given all this new product, the increase in vacancy is largely attributed to the completion of newer buildings. As noted in **Figure 13**, the vacancy rate for buildings completed since 2000 spiked to 4.3% – considered to be balanced conditions – from a very tight 1.9% in 2023.

Figure 13: Purpose-Built Rental Apartment Vacancy Rate for City of Ottawa: 2015 to 2024



Source: CMHC.

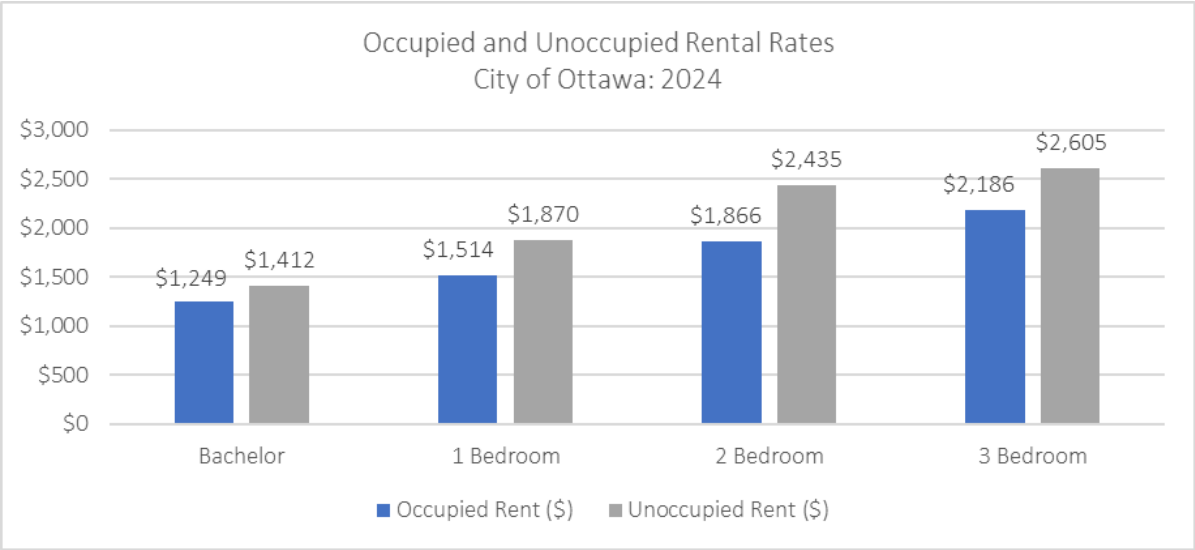
Vacancy is Increasing for Higher Rent Ranges

Sustained demand has put upward pressure on rents. The scarcity of rental units and the high rents faced by tenants when they want to move has limited overall tenant mobility. The downward trend in the turnover rate continued in 2024.

Rental rates climbed by 5.2% across Ottawa over 2024, with bachelor and one-bedroom units seeing the greatest increases of 6.1% and 5.5% respectively. Unsurprisingly, this correlated with higher turnover rates for these unit types, with residents in two and three-bedroom units remaining in their units longer to maintain affordable rent levels when comparing this across all unit types.

Figure 14 highlights the gap between newly available and occupied units. On average, turnover units are renting at a 21% premium to occupied units. For bachelor units, available units are renting for $1,412 per month, a 12% premium. For one-bedroom units, available units rent for $1,870 per month, a 19% premium. For two-bedroom units, available units rent at $2,435 per month, a 23% premium and three-bedroom units rent for $2,605 per month, a 16% premium.

Figure 14: Occupied and Unoccupied Rental Rates for City of Ottawa: 2024



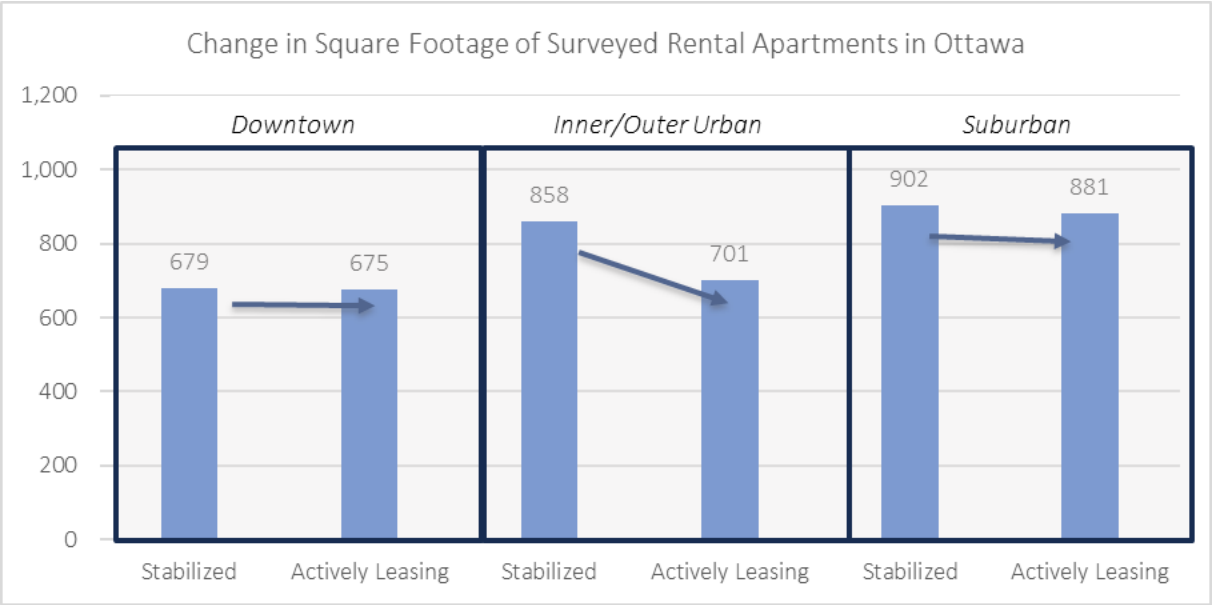
Source: CMHC Housing Information Portal.

Monthly Rents are Relatively High for Newly Completed Rental Projects in Ottawa

In February 2025, NBLC conducted a comprehensive rental market survey to assess the pricing dynamics of rental apartments available for lease in Ottawa. The survey identified fourteen newly constructed purpose-built rental apartment buildings currently leasing units, alongside an additional twenty-nine buildings that have reached stabilized occupancy levels.

The survey analyzed available listings across both newly built and stabilized apartment buildings to discern trends in average rents, square footage, and unit composition. The data indicates that there has been a noticeable decline in the overall square footage of units in newly constructed buildings compared to those in stabilized buildings. This shift toward smaller unit sizes suggests a market response to rising development costs and higher interest rates, with developers opting for more compact units to maintain profitability. The trend of smaller unit sizes further explains the observed rent premiums in newly built buildings, which, despite their higher per-unit prices, tend to offer less living space compared to their stabilized counterparts, some of which were constructed as far back as the early 2010s (see **Figure 15**).

Figure 15: Change in Square Footage of Surveyed Rental Apartments in Ottawa



Source: Zonda Urban

Conversely, as average unit size has fallen, the price per square foot for available units has increased. Average rents for newly built units have generally increased across all markets. Specifically, average rents for newly constructed apartments in the downtown, inner/outer urban, and suburban areas were $3.38 psf, $3.50 psf, and $2.80 psf per month, respectively. The lower rents per square foot in the inner/outer urban and suburban markets reflect a greater proportion of larger unit types, which in turn contributes to a lower average rent per square foot (see **Figure 16 and Figure 17**).

Figure 16: Average Rent (Dollars Per Square Foot) for Newly Built and Stabilized Purpose-Built Rental Apartments in Ottawa

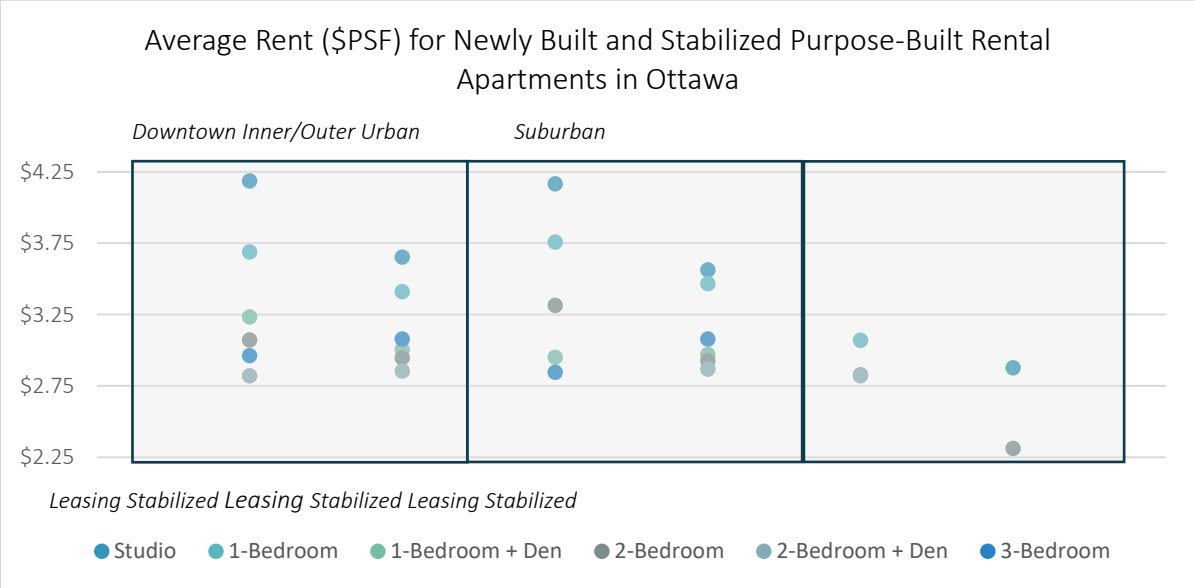
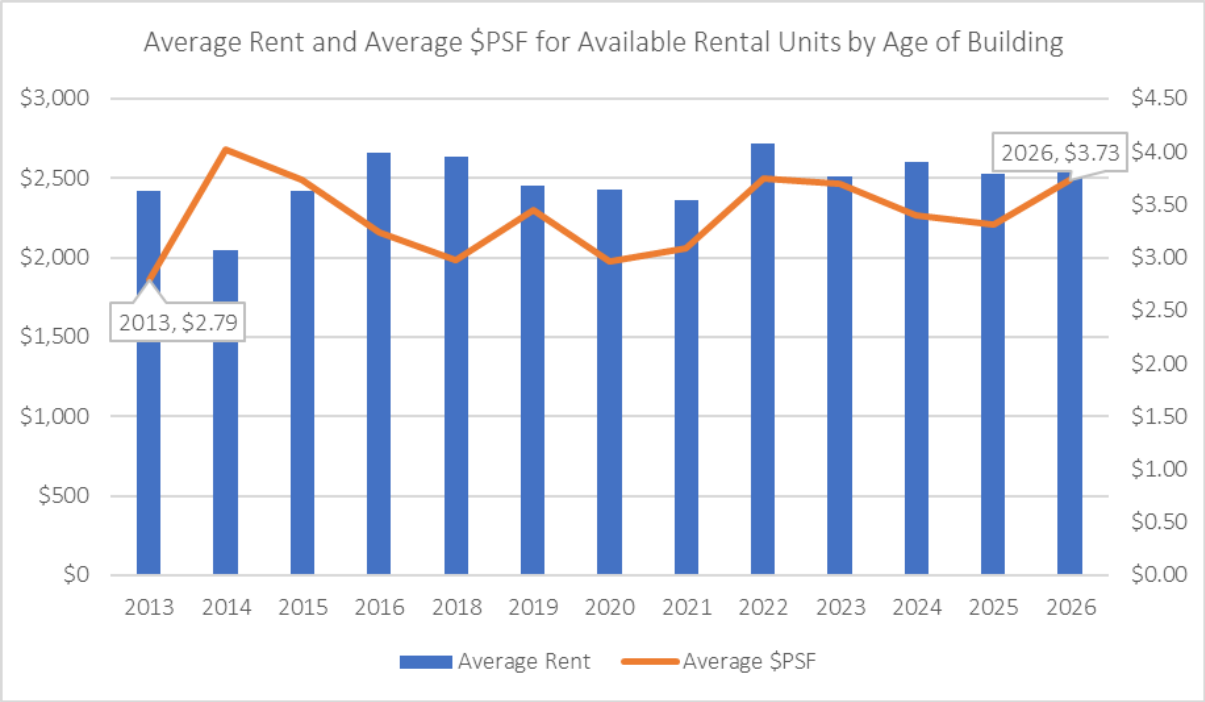


Figure 17: Average Rent and Average Dollars Per Square Foot for Available Rental Units by Age of Building



Source: Zonda Urban.

Rental Supply in the Private Condominium Apartment Market Has Softened

To provide a complete picture of the rental apartment landscape in Ottawa, we also surveyed private leases for condominium apartment buildings, specifically investigating trends of leased units over the past year. Unlike the construction of purpose-built rental housing, condominium construction has declined in recent years. Thus, the number of privately owned rental apartments across Ottawa has stagnated.

Soft rental conditions were noted amongst the surveyed private condominium apartment rentals, with an average days on market ("DOM") of 38 days and average lease-to-listing ratio ("LLR") of 100%. An average DOM under 30 days and LLR above 80% is generally considered by industry experts to be reflective of strong demand, indicating that Ottawa's market, while maintaining some resilience, has softened in response to the influx of available units and competition from new purpose-built product which is often more desirable given superior stability of tenure and professional management.

Approximately 50% of privately leased condominium apartment units were one-bedroom unit types, averaging $2,042 per month. Two-bedroom units represented 38% of leases, averaging $2,567 per month.

6.0 Housing Needs Assessment

The City of Ottawa has recently prepared a Housing Needs Assessment (HNA), which is required by the Federal Government as eligibility for several funding programs and other matters. The identification of housing needs is also required by Regulation 232/18 and must be incorporated into this IZ Assessment Report.

The following summarizes the key findings of the City's HNA, which was prepared by Helpseeker (report available separately), along with additional analysis prepared by NBLC to further characterize housing needs and affordability gaps in the Ottawa market.

This assessment identifies the affordable purchase price and rents that could be encouraged through an IZ policy relative to the restrictions brought forward through Provincial policy. The HNA also provides an overview of the affordability challenges experienced by low- and moderate-income households and identifies the characteristics of households that would be in most need of adequate, suitable, and affordable housing that could be provided through an IZ policy.

6.1 Summary of the City of Ottawa's HNA

The following is a brief summary of the City's HNA.

HNA's Policy Context

The City of Ottawa has identified housing as a strategic focus for the 2023-2026 Term of Council. One of the four strategic priorities is: A city that has affordable housing and is more livable for all. The City has set clear strategic objectives to increase housing options including below market and deeply affordable near transit, leverage City land and seek sustainable funding, increase housing supply, and support intensification and create and advance along a clear path to eliminate chronic homelessness. This priority reflects the widespread recognition that ensuring stable, affordable, and adequate housing options is essential to individual quality of life and Ottawa's collective prosperity and social equity.

As the designated Service Manager, the City of Ottawa holds legislated responsibility to plan, fund, coordinate, and deliver housing and homelessness programs. To fulfill this critical role, the City developed and adopted the 10-Year Housing and Homelessness Plan (2020–2030), which clearly frames the City's long-term vision that "Everyone has a home" and, more specifically: "Chronic homelessness is eliminated. If it occurs, homelessness is rare, brief, and non-recurring."

Growing Population

Ottawa's rapid population growth is reshaping its housing landscape, placing unprecedented demand on the City's housing supply. From 2006 to 2021, Ottawa grew by over 205,000 residents—an increase of 25.3%, outpacing Toronto, Hamilton, and Edmonton. This growth has intensified pressure across the housing spectrum, from increased competition in rental markets to heightened demand for affordable family-sized units. Suburban neighbourhoods like Kanata, Barrhaven, and Orléans absorb much of this growth.

As Ottawa's population is projected to continue increasing substantially through 2035—adding approximately 118,000 more households—this sustained growth will intensify affordability challenges and housing-system pressures city-wide, especially affecting Indigenous communities, racialized populations, and immigrant families, who are already disproportionately experiencing housing instability.

More Renter Households

Ottawa is experiencing a substantial shift toward rental housing, driven largely by declining access to homeownership. Although the proportion of renters increased modestly from 34% to just over 36% between 2006 and 2021, rapid population growth means nearly 38,000 additional households now rent their homes. By 2035, renters are projected to make up approximately 43% of all households. This transition reflects the effects of escalating house prices, stricter mortgage qualification criteria, and slower income growth.

With more households relying on rental options long term, more residents are exposed to housing instability, as renting provides inherently less security than homeownership. Renters face increased vulnerability due to market-driven rent increases, potential evictions, and limited affordable options, intensifying pressures particularly on lower-income and equity-seeking groups already experiencing housing insecurity.

Rent Outpacing Income

Housing affordability in Ottawa is declining, driven by rental costs rising substantially faster than household incomes. Between 2014 and 2024, median monthly rent increased by 61.3%, climbing from $992 to $1,600, outpacing median household income growth, which rose 46.3% between 2006 and 2021. This has dramatically shifted housing costs upward: the proportion of renter households paying $2,000 or more per month grew from just 1.3% in 2006 to 17.1% in 2021, while the overall percentage of households, both renters and owners, able to find shelter below $500 monthly fell by nearly two-thirds during the same period.

As a result, 35.1% of renter households now spend over 30% of their income on housing—three times the rate of homeowners—and almost a quarter (23.3%) experience core housing need. The gap is especially notable for households relying on social assistance or minimum-wage jobs, as even Ontario Works payments ($733 per month for a single adult) and minimum-wage employment (about $34,500 annually) fall far short of covering average market rents, such as the $1,745 average for a bachelor unit in Ottawa. Worse, vacant units are priced between 13% (for bachelors) and 30% (for two-bedrooms) higher than occupied units, creating a substantial entry barrier for new renters. Those affordability pressures limit housing options, disproportionately burdening low-income and vulnerable residents, who face mounting barriers to securing stable housing.

Low Vacancy Rates and Rising Evictions

Ottawa's restricted rental market and rising eviction rates push more households into increasingly unstable housing situations. With an overall rental vacancy rate hovering below the healthy threshold—just 2.6% in 2024 and even lower for affordable units—renters face intense competition for scarce housing options.

Vacancy rates reveal the affordability gaps: units renting for less than $775 are completely unavailable (0% vacancy), while those priced between $775 and $1,449 have a vacancy rate of just 0.7%. Family-sized units of three bedrooms or more, critical for larger households, are similarly scarce, with only a 1.7% vacancy rate.

Geographic disparities further limit rental choices, with fewer vacant and affordable units in neighbourhoods close to essential services, schools, employment hubs, and transit. A combination of limited rental supply and heightened eviction risk can create a housing market where residents live in overcrowded, inadequate, or unaffordable conditions, increasing their vulnerability to homelessness and long-term housing instability.

Longer Waitlists

Ottawa's Centralized Wait List (CWL) for social housing has grown substantially, increasing by 36.8% between 2022 and 2024 and surpassing 15,000 households. Following a temporary decline during the COVID-19 pandemic—likely driven by emergency financial support such as CERB—new applications have rebounded dramatically, rising by 67.2% since 2020. Single adults continue to constitute the largest proportion (40.2%) of those waiting for housing. At the same time, placements into social housing have sharply declined—from 12.8% of waitlisted households housed in 2021 to just 7.2% in 2024—due to limited unit turnover. The average wait now extends between 4.2 and 7.6 years, depending on household composition.

The temporary reduction in core housing need and housing waitlists during COVID reflects national findings that emergency financial assistance like CERB temporarily relieved affordability pressures, highlighting the substantial role socioeconomic factors play in shaping demand on Ottawa's downstream homelessness and housing-support system. This widening gap between growing demand and constrained supply means more households remain stuck in unaffordable or unstable housing situations, increasing their risk of housing instability or homelessness, and adding pressure to an already strained housing system.

Inflow Exceeds Outflow

The pressures created by rising eviction rates, low rental vacancies, and lengthening social housing waitlists are now clearly evident in Ottawa's homelessness response system. The 2024 Point-in-Time Count recorded 2,952 people experiencing homelessness—a 78.5% increase since 2018. As inflow into homelessness consistently outpaces exits into permanent housing, the system has reached occupancy levels averaging 81.3% above permanent bed capacity. Families and single adult women have experienced substantial increases in shelter demand, rising by 48.7% and 93.8%, respectively, between early 2022 and late 2024. This mismatch reinforces prolonged reliance on emergency responses and underscores the downstream consequences of broader housing affordability pressures across the city.

More Chronic Homelessness

The proportion of people experiencing chronic homelessness, typically defined as at least six months, or 180 cumulative days, within the past year, or repeated cycles through episodes of homelessness, accumulating to at least 180 days within a 12-month period, declined from 58.1% in 2018 to 49.3% in 2024. However, due to a substantial increase in the overall number of people experiencing homelessness, the absolute number of individuals experiencing chronic homelessness rose from 813 to 1,279 people. This indicates that more people are spending extended periods in a temporary homelessness-response system that was not designed for long-term stays, a situation that negatively affects individual, family, and community well-being. The growing number of people experiencing chronic homelessness points to an urgent need for stable, permanent housing solutions.

Increasingly Vulnerable Demographics

Older adults, single-parent families, and low-income households in Ottawa face growing vulnerability within the housing market. A total of 9.5% of adults aged 65 and over live on low incomes, often relying on fixed incomes that fail to keep pace with rising housing costs, placing them at increased risk of housing instability. Single-parent households, which increased in number by 25.1% between 2006 and 2021, experience substantial financial strain, with 26.0% nationwide living in low income, compared to just 6.7% of two-parent families. Single-parent households are more likely to be led by women, amplifying gendered aspects of housing instability, particularly for women fleeing violence. These factors—gender, family structure, and income—intersect to reinforce structural barriers and deepen vulnerability. Overall, low-income renters face escalating affordability pressures, with 35.1% spending more than 30% of their income on housing due to limited availability of affordable rental units.

Indigenous Overrepresentation in Homelessness

Indigenous people account for just 2.6% of Ottawa's total population yet represented 19% of individuals experiencing homelessness in the city's 2024 Point-in-Time Count. The number of Indigenous residents experiencing homelessness on a single night went from 335 in 2018 to 479 in 2024, an increase of 43.0%. Structural barriers, including racism and discrimination, further complicate efforts to secure housing in Ottawa's already unaffordable and low-vacancy rental market. Indigenous-led households also experience core housing need at a higher rate (14.8%) than Ottawa's community-wide average (11.2%).

Racialized Groups Overrepresented in Housing Instability

Ottawa's racialized population doubled from 161,720 to 324,950 between 2006 and 2021, now adding up to nearly one-third (31.9%) of the city's residents. Racialized communities continue to face substantial disparities in housing stability. Between 2018 and 2024, the number of racialized individuals experiencing homelessness on a single night—recorded through the PiT count—more than doubled, rising from 673 (48.1%) to 1,458 (56.2%). Core housing need rates are also substantially higher among racialized households, particularly Black-led households, at 20.0%, nearly double Ottawa's community average of 11.2%.

National research further confirms that ethnocultural identity independently influences housing outcomes, driven by systemic barriers such as income inequality, rental-market discrimination, and economic exclusion. There is evidence of these structural and intersectional issues in Ottawa's data. However, the extent to which they can be fully understood is limited by the need for more race-disaggregated data.

Projections Show Current Measures Insufficient

Under current conditions, annual homelessness in Ottawa is projected to increase by 35%, from 9,326 individuals in 2025 to 14,737 by 2035. This increase is driven by persistent affordability pressures, population growth, and limited availability of deeply affordable and supportive housing.

Expanding Capacity Could End Chronic Homelessness

Ottawa's population growth is projected to require 128,938 new housing units by 2035, of which approximately 40%-45% should be rental units to support overall housing demand, affordability, and market stability. In addition to this broader housing need, specifically addressing populations experiencing homelessness or at heightened risk requires targeted capacity expansions across the homelessness-response system, including crisis response services and community housing, such as supportive housing, transitional housing, affordable units, and housing allowance subsidies. Projections indicate a need for 10,550 net new spaces over the next 10 years, including 3,150 units of affordable community housing, 350 supportive housing units, 200 transitional housing spaces, and 7,000 housing-allowance subsidies. Achieving this targeted expansion would result in more people successfully exiting homelessness than entering it by year three, reducing projected annual homelessness to approximately 438 individuals by 2035, and achieving the City of Ottawa's stated goal of ending chronic homelessness.

6.2 Affordable Housing Definitions

The definition of affordable housing in Ontario has undergone several changes over the past couple of years. Bill 23, which was introduced in 2022, had tied affordability to a specific price point (i.e., 80% of average market rents and purchase prices). However, the Province of Ontario's Provincial Planning Statement, 2024 (the "PPS 2024") came into effect on October 20, 2024, replacing both the Provincial Policy Statement, 2020 (the "PPS 2020") and the Growth Plan for the Greater Golden Horseshoe. The new PPS 2024 re-introduces the income-based affordable housing definitions from the PPS 2020, which include the following defined terms:

- Affordable ownership housing is defined as the least expensive of:
    - Housing for which the purchase price results in annual accommodation costs which do not exceed 30% of gross annual household income for low and moderate income households, or
    - Housing for which the purchase price is at least 10% below the average purchase price of a resale unit in the municipality.

- Affordable rental housing is defined as the least expensive of:
  - A unit for which the rent does not exceed 30% of gross annual household income for low and moderate income households, or
  - A unit for which the rent is at or below the average market rent of a unit in the municipality.

The PPS 2024 also re-introduces “low and moderate income households” as a defined term (with slight modifications from the PPS 2020 definition) as shown below.

- Low and moderate income households are defined as:
  - In the case of ownership housing, households with incomes in the lowest 60% of the income distribution for the municipality, or
  - In the case of rental housing, households with incomes in the lowest 60% of the income distribution for renter households for the municipality.

However, as noted earlier in this report, Bill 23, as amended by O.Reg 54/25 has introduced new regulations that limit the affordability depth of IZ units to no less than 100% of average market rents for affordable rental housing and the Provincial income-based definition for affordable ownership housing (as defined in PPS 2024).

Regardless of the affordability threshold selected, IZ units will be required to waive Development Charges, Community Benefit Charges, and Parkland Fees.

6.3 Income by Decile Group and Calculated Affordability Thresholds

The data displayed in **Table 6** sorts the income of **All Households** and **Renter Households** by deciles groups in Ottawa. The data is based on the 2021 Census which represents 2020 incomes. These incomes were then inflated using the Consumer Price Index (“CPI”) to estimate current income levels (i.e., 2024). However, it should be noted that these estimates do not account for income changes caused by in and out migration and household socioeconomic changes since 2020.

As shown in **Table 6**, owner households earn significantly more than renters, with much higher annual incomes associated with each decile. When looking at all households in Ottawa, incomes range from about $38,000 annually for the bottom decile to nearly $275,000 annually for the top decile. Renter household incomes range from about $26,000 annually in the bottom decile to about $167,000 annually in the top decile.

Using these incomes, we have also estimated the maximum purchase price (based on all household incomes) and the maximum monthly rental rate (based on renter household incomes) that each decile can afford (see **Table 7**). These thresholds are based on housing costs that do not exceed 30% of gross household income, which is in line with the income-based affordable housing definition contained in the PPS 2024.

Table 6: Household Income by Decile, 2025 for City of Ottawa

Household Income by Decile, 2025 City of Ottawa			
Income Group	**Decile Group**	**All Household Income**	**Renter Household Income**
Low Income	1st	$38,000	$26,100
	2nd	$60,600	$37,300
	3rd	$80,400	$49,800
Moderate Income	4th	$99,800	$62,900
	5th	$120,900	$75,700
	6th	$144,400	$91,000
High Income	7th	$172,600	$106,800
	8th	$211,300	$129,100
	9th	$274,700	$166,700
Note: Incomes from 2021 Census of Canada Custom Tabulation, inflated to 2025 using CPI (Ontario) changes.			
Source: Statistics Canada & N. Barry Lyon Consultants Limited			

Table 7: Affordable Purchase Price and Rental Rate Thresholds Based on Income, 2025 for City of Ottawa

Affordable Purchase Price and Rental Thresholds Based on Income, 2025 City of Ottawa			
Income Group	**Decile Group**	**Affordable Purchase Price****	**Affordable Monthly Rent****
Low Income	1st	$229,315	$653
	2nd	$330,815	$933
	3rd	$410,511	$1,245
Moderate Income	4th	$489,831	$1,573
	5th	$573,663	$1,893
	6th	$670,652	$2,275
High Income	7th	$785,685	$2,670
	8th	$946,167	$3,228
	9th	$1,116,186	$4,168
Note: Incomes from 2021 Census of Canada Custom Tabulation, inflated to 2025 using CPI (Ontario) changes. ** Assumes shelter costs do not exceed 30% of gross household income. Shelter costs include mortgage (25 years, minimum 5% downpayment, 1.19% property tax payment, 4% of loan amount for CMHC mortgage insurance, five year fixed mortgage rate of 5%.* *** Assumes shelter costs do not exceed 30% of gross household income.*			

6.4 Affordability Gap Analysis

The following subsection synthesizes the market information collected by NBLC with the income decile data from Statistics Canada to understand the market and non-market housing that is affordable to households in Ottawa. This includes both ownership and rental tenures, ranging from low-rise to high-rise built forms. Additionally, NBLC also considered various levels of AMR relative to the income decile groups.

The purpose of this analysis is to illustrate how affordability pressures extend beyond the Provincial definitions of affordable housing, the households identified as being in Core Housing Need, and the other characteristics identified in the City's HNA.

This information is presented in **Table 8**, which shows the price and rent of homes in the market relative to what each decile group can afford to pay. For illustrative purposes, cells shaded in **Red** indicate that the housing option is unaffordable for that income decile, on average, while cells shaded in **Green** indicate that the housing option is affordable.

The following are key finding from this gap analysis:

- Single-detached ownership homes are largely unaffordable to most below the 8th income decile.
- However, resale townhomes and both resale and new sale condominium apartments accommodate purchase prices that would be affordable, on average, to moderate-income households. While pricing will vary based on unit size and market location, these findings indicate that ownership supply is generally accommodating a wide range of moderate and high-income groups.
- This also indicates that households earning below these income thresholds would require a significantly larger downpayment (5% assumed in the calculation) to purchase a home. This could be secured through an inheritance, cash gift from family, equity earned through the sale of another home, savings, or some other means.
- In terms of market-rate rental options, greater affordability challenges are identified.
    - Purpose-built rental apartments and leased single-family homes are generally only affordable to those earning above the 7th income decile.
    - Rented condominium apartments and townhomes were only affordable to those earning above the 6th and 7th income decile.
    - Privately leased multiplexes and basement apartments were the most affordable market-rate rental options, with average monthly rents that are affordable to households in the 6th income decile.
- Notably, rental housing between 100% and 125% AMR fills an important gap in the affordability spectrum by offering homes affordable to those in the 4th to 6th income decile, with rents below this threshold accommodating lower-income households.

Based on this gap analysis, we can conclude that housing affordability for both ownership and rental tenures is moderately strained across Ottawa. A variety of price points could therefore be considered 'affordable' in the Ottawa market context and be targeted through a potential IZ policy.

Table 8: Ownership Housing Affordability Gap Analysis for City of Ottawa

Ownership Housing Affordability Gap Analysis, City of Ottawa										
Income Decile		1	2	3	4	5	6	7	8	9
Affordability Threshold		$229,315	$330,815	$410,511	$489,831	$573,663	$670,652	$785,685	$983,234	$1,159,460
Housing Type	Avg. Purchase Price									
NEW SALE										
Condominium Apartment	$595,120									
RESALE										
Single-Detached	$878,349									
Semi-Detached	$738,141									
Freehold Townhouse	$623,266									
Condominium Townhouse	$434,220									
Condominium Apartment	$435,499									
Rental Housing Affordability Gap Analysis, City of Ottawa										
Income Decile		1	2	3	4	5	6	7	8	9
Affordability Threshold		$653	$933	$1,245	$1,573	$1,893	$2,275	$2,670	$3,228	$4,168
Housing Type	Avg. Rental Rate									
Purpose-Built Rental Market										
New Purpose-Built Rental Apartment	$2,440									
Old Purpose-Built Rental Apartment	$2,280									
Secondary Rental Market										
Privately Leased Single-Detached	$3,266									
Privately Leased Semi-Detached	$3,188									
Privately Leased Townhouse	$2,679									
Privately Leased Condominium Apartment	$2,347									
Privately Leased Multiplex Units	$2,232									
Privately Leased Basement Apartments	$2,206									
AMR Housing Affordability Gap Analysis, City of Ottawa										
Income Decile		1	2	3	4	5	6	7	8	9
Affordability Threshold		$653	$933	$1,245	$1,573	$1,893	$2,275	$2,670	$3,228	$4,168
% CMHC Average Market Rent (AMR)	Avg. Rental Rate									
125% AMR	$2,105									
120% AMR	$2,021									
100% AMR	$1,684									
80% AMR	$1,347									
60% AMR	$1,010									

Note: Affordability threshold is determined based on 30% of gross household income going towards housing costs. Average prices are based on a survey of available units or recent transactions. These prices are point in time and can change based on a variety of economic and market factors.
Source: N. Barry Lyon Consultants Limited, Altus Data Studio, Toronto Regional Real Estate Board, Canada Mortgage and Housing Corporation.

7.0 Inclusionary Zoning Feasibility Analysis Methodology

The following section assesses the core principles of development and land economics that will influence the development of an IZ policy.

7.1 Housing Prices and Costs – Fundamental Factors

The following assesses how housing prices and costs are established and the connection between these two fundamental factors that impact real estate development.

Factors Influencing the Price of Housing

The highest and best use of a site is established by determining the most marketable housing types, pricing, product positioning (e.g., mid-market, luxury), sales absorption rates or lease-up rates, target purchasers, marketable suite mix, required project amenities, and other similar items. Often these inputs feed into a financial analysis to evaluate project viability. When determining how to price housing, it is important to consider both demand and supply conditions in the local market area. This generally involves an analysis of some, or all of the following factors shown in **Table 9**.

Table 9: Factors Influencing the Price of Housing

Demand	Supply
• Population growth and projections • Demographics and incomes • Target purchaser/tenant groups • Purchaser/tenant preferences • Local employment opportunities • Site/market strengths & weaknesses • Location & neighbourhood amenities • Lending rates & regulations • Future/planned transit investments	• Sale values/absorptions & rents/lease up rates of other marketing projects • Project positioning, interior features & finishes, and amenities at competitive projects • Review of development applications to understand future supply/competition • Values and market performance of the resale/private rental market • Parking requirements and achievable revenue (e.g., free parking or added charge) • Growth and land use policies affecting future development patterns

The process of establishing pricing typically begins by characterizing the demand-side of the market, including population growth of key market segments, defining market strengths and weaknesses, location and design preferences of target purchasers/tenants, impact of lending rates and regulations (e.g., mortgage stress tests, foreign buyer restrictions), among other considerations.

Once the demand-side has been considered, the supply of housing in the local market is assessed. This is completed by surveying comparable housing developments that are actively marketing to understand how competitive supply is priced, the rate at which product is absorbed by the market, project positioning and the amenities included, and other design/market features that warrant review.

In the case of condominium development, the resale market is also an important consideration, as purchasers will often consider both a new-build and an existing home when making a purchase. Pricing must therefore remain competitive with both comparable existing housing and new housing developments.

Ultimately, developers seek to charge the maximum price that the market will bear. Developers will also monitor supply and demand conditions throughout a marketing campaign, often increasing pricing or adding incentives throughout the process at specific thresholds (e.g., at the beginning of construction). In condominium development, some developers may not release all units to the market at the same time, later adjusting pricing or other elements based on the market's response to an initial release. This is an important consideration, as developers can – and often do – increase pricing if the market supports such an increase. A similar process occurs for rental development, where developers reassess the rental rate they can charge as units lease up, and as turnover occurs.

However, as seen in the current challenging market environment, developers will also reduce pricing or offer incentives if demand for housing diminishes.

Factors Influencing the Cost of Delivering Housing

The costs of delivering housing generally fall into the following four discrete categories:

1. Hard Construction Costs
2. Soft Development Costs
3. Developer Return, and
4. Land Acquisition Costs

The following provides a brief description of each cost category, including commentary related to how these costs are determined.

Hard Construction Costs

Hard construction costs encompass all the materials and labour required to physically construct a building. These costs include construction contracts, building materials, appliances, site servicing, landscaping, site preparation (e.g., demolition, excavation, grading), parking, and other related costs. Hard construction costs will vary from project to project as factors such as topography, geotechnical issues, site contamination, building materials (e.g., concrete vs. wood), the height of a building, surface vs. underground parking, site-specific factors (e.g., heritage preservation), and other similar considerations can all have impacts. Hard construction costs are dictated by the market, albeit by a different market than home prices:

- Developers will purchase building materials in the market like any other commodity, which are subject to fluctuations in price. Macro-economic trade impacts (e.g., tariffs), inflation, and other factors can impact the price of materials.
- Like purchasing building materials, developers must also pay the market price for labour, which can fluctuate based on availability, unions, inflation, and other factors.
- Competition amongst builders can also increase the cost of building materials and put specialized labour under constrained supply and demand conditions.

Overall, once the specifics of a development project are well defined, hard construction costs become relatively fixed.

Soft Development Costs

Soft development costs include all the other costs that a developer will encounter when developing real estate. These items include:

- The consultant team – typically consisting of urban planners, architects, urban designers, landscape architects, engineers, lawyers, and public consultation experts, among others.
- Project marketing costs and sales/leasing commission fees.
- Construction financing costs that have heightened in recent years due to rising interest rates.
- Development and construction project management.
- Legal fees and insurance costs.
- Applicable planning fees, development charges, permit fees and taxes paid to a local and/or regional government.
- HST (while considering existing tax exemptions for rental developments).

Like hard costs, soft development costs can also shift depending on the specifics of a development project. Factors such as project scale and the rate of absorption can impact development timing, which can affect financing and other carrying costs. Soft costs can also shift depending on the approvals required, size of the property, value of the land (e.g., for cash-in-lieu of parkland costs), among other factors.

Developer Return

Developers require a risk adjusted return to undertake a development project. As developers take on significant risk in a real estate development and are investing their time, skill, and equity, they expect a profit that is more than the rate of return that might be achievable through another investment opportunity. If a sufficient return cannot be achieved, developers will seek development opportunities in other markets, invest in other real estate asset classes, or choose another investment vehicle altogether. Critically, lenders also require a minimum profit threshold to finance a project.

Land Acquisition Cost

Many developers must also acquire land in the market to build a new housing project, as assessed in the discussion to follow.

7.2 Understanding Land Values for High-Density Residential Projects

Accurately assessing land values for high-density residential development is based on three fundamental inputs:

1. Forecasted project revenues;
2. Development costs; and,
3. Profit expectations.

Project revenues are driven by the sale/lease of units, parking spaces, and storage lockers. Once project revenues have been estimated, developers will then begin to calculate all anticipated hard and soft project costs. As illustrated by **Figure 18**, developers subtract these costs, as well as their required profit expectation, from the estimated revenue of a project.

Figure 18: Residual Land Value Methodology

Residual Land Value Methodology
Project Revenue *less* Project Costs *less* Developer Profit
= Residual Land Value

The amount remaining, or the residual, is referred to as the residual land value ('RLV'). The RLV represents the maximum budget a developer has to acquire land to develop the project.

The calculation of an RLV will result in one of two scenarios:

- If the RLV is equal to or higher than the value of a property under its existing use a developer could, in theory, incent the landowner to sell their property and build a project which meets their profit expectation.
    - For example, a bakery located on an acre of land on a main street is zoned for commercial uses. The value of the land in its current approved use is $1M. If the revenues and costs of a high-density residential development on the same site allow the developer a budget of $5M to purchase the land (i.e., a RLV of $5M), the bakery owner might be incented to sell the property, allowing the developer to move forward with a development.
- If the RLV is below the value of a property under its existing use the development would be considered unviable as a developer would not have sufficient budget to pay the asking price of land and still maintain their minimum profit margin. In this instance, the proposed development would not be considered the highest and best use for the property. Rather, the existing use or an alternative redevelopment concept would support the highest and best use of the property. Using the above example, if the developer's assessment of revenues and costs concludes that only $800,000 can be offered for the site (an RLV result of $800,000), the bakery could not be incentivized to sell to the land to the developer and therefore the residential redevelopment would not move forward.

How does IZ Influence the Land Market?

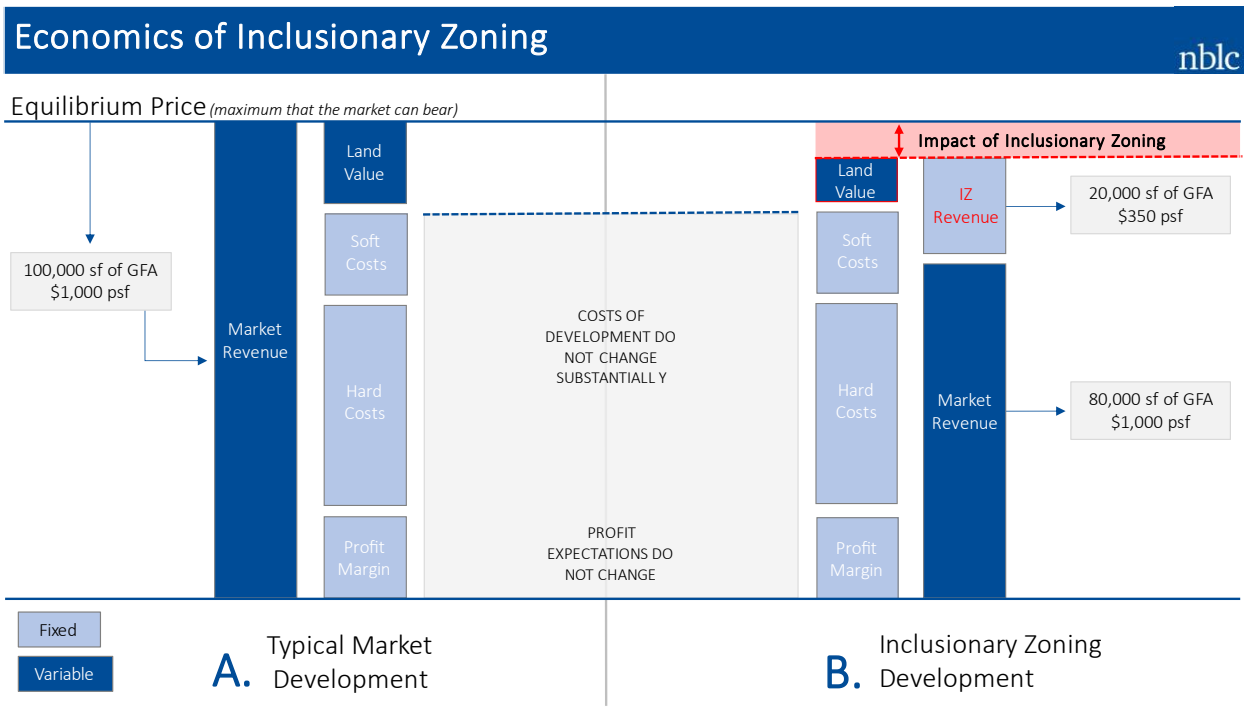
The introduction of IZ influences the revenue and cost variables of residual land values in the following ways:

- **Project Revenue – Measurable Impact:** Revenues decrease with IZ as developers will be required to charge below-market rates for some of the units in their development.
- **Project Costs – Moderate Impact:**
    - **Hard Costs:** The construction cost of delivering affordable and market rate units is similar. IZ is therefore not expected to impact construction costs in a meaningful way unless other adjustments to unit mix and sizing is also required as part of a policy. Requirements related to the provision of parking for affordable units (or the absence thereof) can also influence changes to the hard costs of a project with IZ applied.
    - **Soft Costs:** Bill 23 requires that municipalities proportionately reduce development charges, community benefit charges, and cash-in-lieu of parkland fees for projects containing IZ units. These adjustments mean that project softs costs are reduced somewhat with IZ. A key variable to assess is the relative impact of reduced revenues in comparison to reduced soft costs as a result of an IZ policy.

- **Developer Profit – Minimal Impact:** IZ does not impact the target profit margin of a development[12]. If a project cannot achieve a targeted profit margin, developers will choose to invest their capital elsewhere. Lenders will also seek to see a minimum profit margin to advance financing.

Where project revenues are reduced to a greater extent than soft costs, and project hard costs and profit expectations remain relatively fixed, an IZ policy will place downward pressure on land values (**Figure 19**).

Figure 19: Economics of Inclusionary Zoning



What Are The Impacts of Land Value Compression?

If the RLV decreases below the value of other competing uses (e.g., retail, industrial, low-density housing, etc.), or is eroded completely (i.e., development costs exceed potential revenue, producing a "negative" RLV result), a residential developer is not able to offer an amount for the purchase of land that would incentivize the existing owner of the land to sell. Land would therefore not transact, and new residential development would not occur.

[12]As with development costs, more significant affordability requirements can present a risk to lenders if not appropriately offset though financial measures. Project risk is a key determinant of the minimum profit margin a developer must achieve to secure financing.

Even in situations where the RLV remains the highest and best use, land transactions and development activity may slow within PMTSAs if an IZ policy compresses land values by a significant margin. This is due to a sudden shock to the market, where landowners may take time to understand why the value of their site has decreased and choose to wait on selling the land in the hopes that the market improves. To avoid this situation, any policy will need to be phased-in slowly and/or be matched with offsets to lessen any significant impact on land values.

For developers who already own land, the acquisition price paid for the site is now a fixed cost in their proforma. Depending on the significance of this land cost, a reduction in revenue from an IZ policy could impact the developer's profit margin. If the land cost is significant, this can result in one of two scenarios:

1. The reduced profit margin makes the project more risky, or unfeasible, or
2. A development application is submitted in advance of the policy enactment, thereby exempting the project from IZ to avoid impact of the policy.

In either instance, the IZ policy would be ineffective, and no affordable housing would be delivered. A successful IZ policy should anticipate and avoid these negative externalities.

The majority of successful IZ programs in North America, predominantly in the United States, are voluntary programs where increased density and/or financial incentives are offered in exchange for affordable housing. In this case, the use of offsets (i.e., incentives, density increases, parking reductions, meaningful transit infrastructure improvements) can mitigate or offset the reduction in land value that may result from IZ, which would create several positive outcomes including:

- Land transactions and development activity would be less impacted
- Impacts to development feasibility would be minimized, and
- Developers would be less likely to avoid the IZ policy (i.e., quickly submit a development application prior to the IZ by-law being introduced or seek opportunities outside of a PMTSA).

How Can Land Value Impacts be Minimized, or Eliminated?

Where an area is being granted new high-density permissions (e.g., an employment land conversion) or granted additional density, there can be an opportunity to leverage value. It is advantageous to develop an IZ policy in tandem with these changes, particularly within the context of exchanging density for affordable housing. The following explores these considerations.

- **Rezoning land from non-residential to residential uses** can have a significant positive value implication for landowners where land that is currently zoned for low-density commercial or industrial use is granted high-density residential permissions. In the case of PMSTA planning where transit investments are being made, these entitlement changes often come with little cost to landowners.
    - A developer is likely willing to pay much more for a property with high-density residential permissions than a property zoned exclusively for commercial/industrial use, a benefit that would solely be captured by the current property owner when they sell their property to a developer.

  - In this situation, IZ would reduce the amount a developer would pay for the property. However, so long as the land value is not depressed too significantly, the property owner may still be motivated to sell, and the developer could move forward with their project while incorporating affordable housing as required by the IZ policy.
  - It is therefore beneficial to implement IZ in tandem with a land use/zoning change. It is problematic if land is rezoned and an IZ policy introduced later, as land value uplift will have already been created with land possibly transacting at a price that does not account for any affordable housing requirement. Unfortunately, we understand that this is generally the case in Ottawa's current context.

- **Increasing the as-of-right height/density permitted for residential development can also be a highly effective offset.** Very similar to the previous example, increasing the maximum allowable height/density can increase the value of a site, which can assist with offsetting the impact of IZ. The caveat to success in this regard is that there must be sufficient demand in the market available to sell or lease the additional residential units that are created as part of the larger project. The current market context, as outlined earlier in this analysis, presents challenges in this regard.
- **Figure 20** and **Figure 21** illustrate a scenario where an uplift in density or a land use change are sufficient enough on their own to generate a positive land value outcome for IZ. The land value improves as density is increased or as the land use permissions change to high-density residential, which is then suppressed by the requirement for IZ. However, the land value with increased density and IZ remains well above the existing land value (e.g., employment land or lower density residential permissions). This scenario therefore indicates that landowners could still earn a strong premium over their existing land value and therefore could be incentivized to sell their land to a residential developer. It also indicates that a developer would likely be motivated to pursue a high-density development despite the IZ policy.
- It is also possible to have instances where IZ might not result in a viable outcome. As illustrated by Figure 22 and Figure 23, the land value increases as an uplift in density or a land use change are applied in the same fashion as Figure 20 and Figure 21. However, with IZ applied, the land value decreases below the existing land value. In this situation, the IZ policy is too aggressive for current market conditions, resulting in a large compression in land value that results in an unviable policy outcome.

In some cases, density does not add value because the revenue associated with the increased floor area does not offset the associated development costs, or there is insufficient demand. This can be particularly evident in weak/modest market areas where achievable market pricing is low, or in areas where an increase in density requires significant additional costs such as an increased requirement to provide underground parking. Other approaches to offsetting the IZ requirements like financial incentives would be necessary in these scenarios.

Figure 20: Land Use Change on Land Value (Positive Outcome)

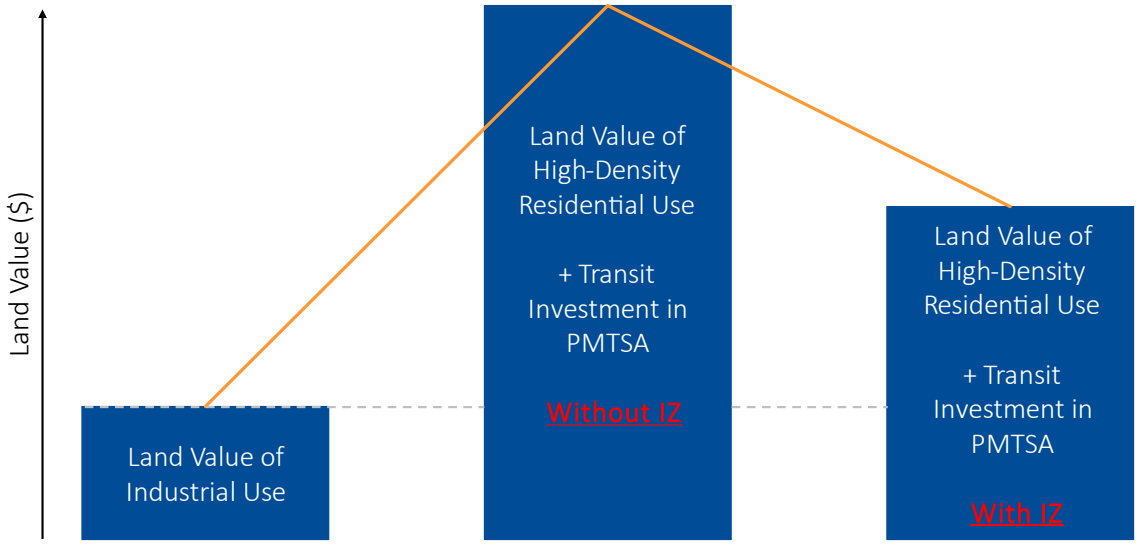


Figure 21: Density Increase on Land Value (Positive Outcome)

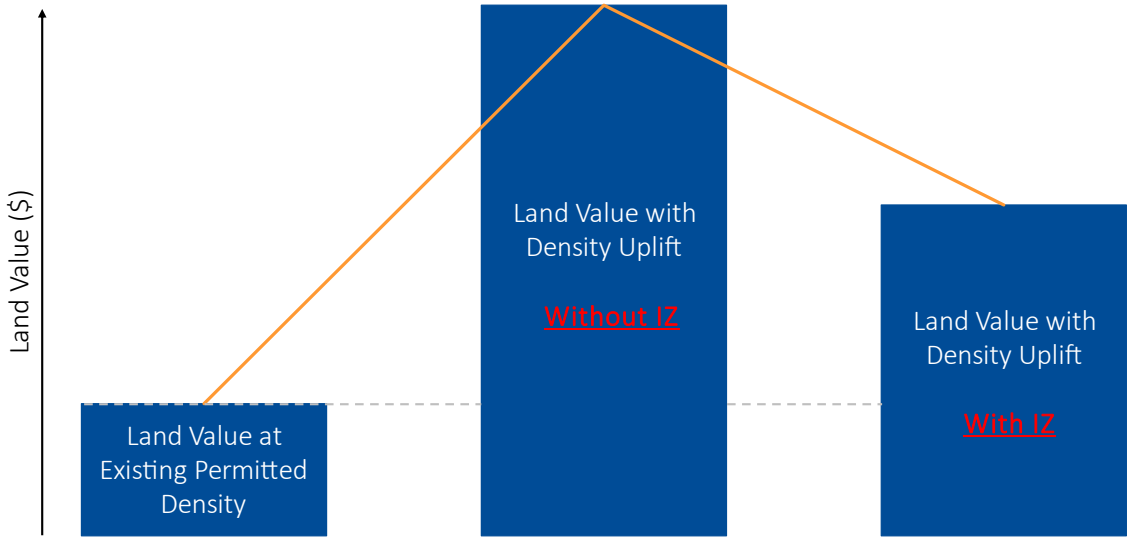


Figure 22: Land Use Change on Land Value (Negative Outcome)

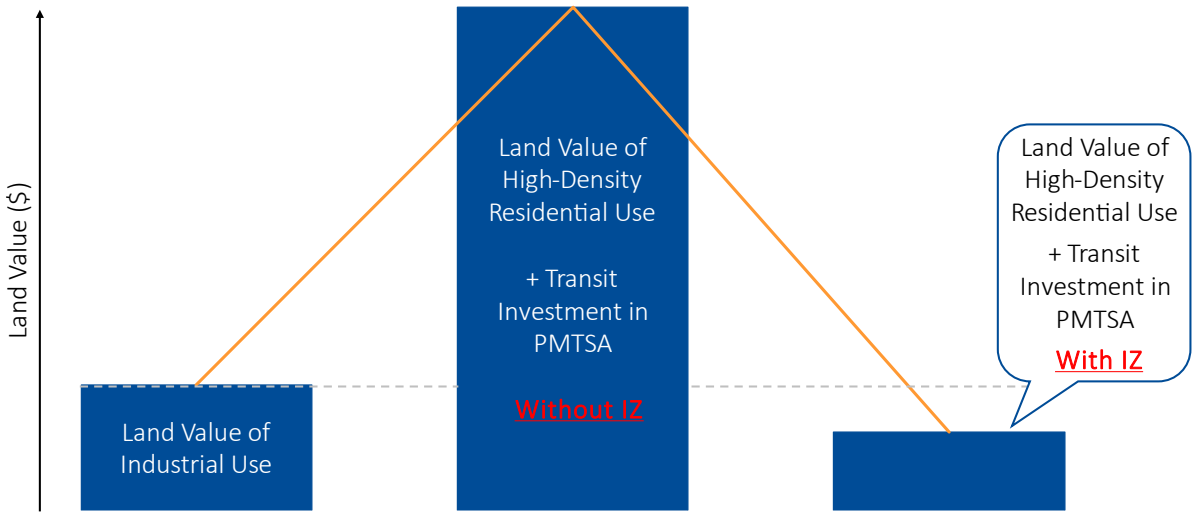
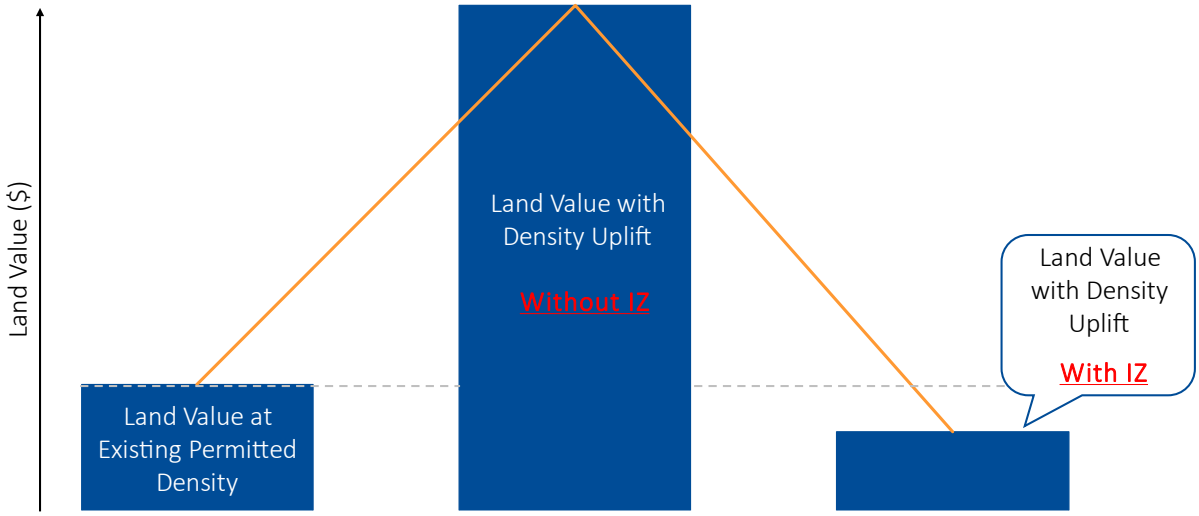


Figure 23: Density Increase on Land Value (Negative Outcome)



If Density Uplift is Not an Option

There may be situations where a PMTSA already has significant permissions in place that allow for high-density residential development – this is the case in Ottawa's PMTSAs. The land market therefore already reflects high-density land values, which would be negatively impacted by an IZ policy. In this situation, increased density cannot offset the policy, and the impact must be absorbed by the site's land value.

The following mitigating strategies should be considered in this scenario:

- The IZ policy could be phased in very slowly to allow land markets to adjust over time. As discussed earlier, a sudden decrease in land values can shock the market and cause development activity to stall or shift to locations outside of PMTSAs.
- Offsetting measures could be included to mitigate the impact of the IZ policy beyond those already required by Bill 23, which would likely need to be financial subsidies. It may be possible to offer these on an interim basis and remove them over time as land values continue to adjust. Without offsetting measures, it is likely that growth in the PMTSAs would be negatively affected.

Mandatory vs. Voluntary IZ Approach

As discussed in **Section 2.0** a voluntary IZ policy would seek to incentivize a developer to participate in the program. For a voluntary program to work, the incentivizing measures must provide a meaningful benefit to the developer such that they would want to participate in providing affordable housing through the IZ policy. Such a structure could include:

- **Voluntary Approach Based on Density:** Using the example in Figure 22, if current current planning permissions permitted a lower building height which would be increased through PMTSA planning, IZ would apply to the uplift in density. However, the value of the additional height/density (or other offsets) must be sufficient to offset the negative impact of providing affordable housing, otherwise a developer would not pursue the higher density, or would not build at all.
- **Voluntary Approach Based on Incentives:** A voluntary IZ policy based on incentives would include offsetting measures with the policy requirements. The developer would therefore be able to decide if they want to participate in the IZ policy or not, which will depend on the magnitude of incentives offered relative to the affordable housing requirement. This approach is advantageous when market demand is limited, and larger buildings are challenging to absorb.

A mandatory policy, on the other hand, would not allow for optional participation in the policy. However, a mandatory IZ policy could also include incentives and offsets to ensure development feasibility is maintained. The main difference between the two approaches is that a voluntary program allows market-rate projects to proceed if the offsetting measures are insufficient, whereas a mandatory program could result in development becoming infeasible if the policy does not align with market reality. Both approaches should seek to limit the impact to land values and development feasibility.

8.0 Financial Feasibility Analysis

The following section describes the methodology, assumptions and results of the financial feasibility analysis undertaken to assess the impacts of a potential IZ policy.

8.1 Development Concepts and Methodology

The financial analysis explores how an IZ policy approach would impact the feasibility of high-density residential development in the City of Ottawa's PMTSAs.

The analysis focuses on three main test site areas representative of the concentric policy areas (or 'transects') within the City of Ottawa's Official Plan and the PMTSAs within them. The following test site areas are assumed, with their geography identified in **Figure 24**.

- **Downtown Transect**: This transect is intended to accommodate the tallest buildings with the greatest densities.
- **Inner/Outer Urban Transect**: The Inner and Outer Urban transects are generally planned for mid to high-density development within proximity to rapid transit. Given that the size and scale of developments and the development requirements in the Inner and Outer Urban areas are similar in nature, the Inner and Outer Urban transects are combined as one test site area in this analysis.
- **Suburban Transect**: The Suburban transect is generally planned for a combination of low-rise and mid-rise development, with greater height permissions for areas with Hub designations within PMTSAs. The scale of development currently happening within the Suburban transect near PMTSAs lends itself more favourably to the mid-rise typology.

The prototypical development concepts created by Dillon in **Section 3.3** reflect a view of potential achievable density in the transects analyzed. These prototypes were determined based on a review of active and recently completed development applications within each transect and the PMTSAs within them. These prototypes are intended to represent common forms of development within the areas being examined. As indicated in **Table 10,** development feasibility was tested on the following concepts:

- Downtown Transect: A 55-storey concrete apartment building with a total of 438 units.
- Inner/Outer Urban Transect: A 30-storey concrete apartment building with a total of 223 units.
- Suburban Transect: A 6-storey wood frame apartment building with a total of 265 units.

Figure 24: Three Test Geographies Assessed for City of Ottawa

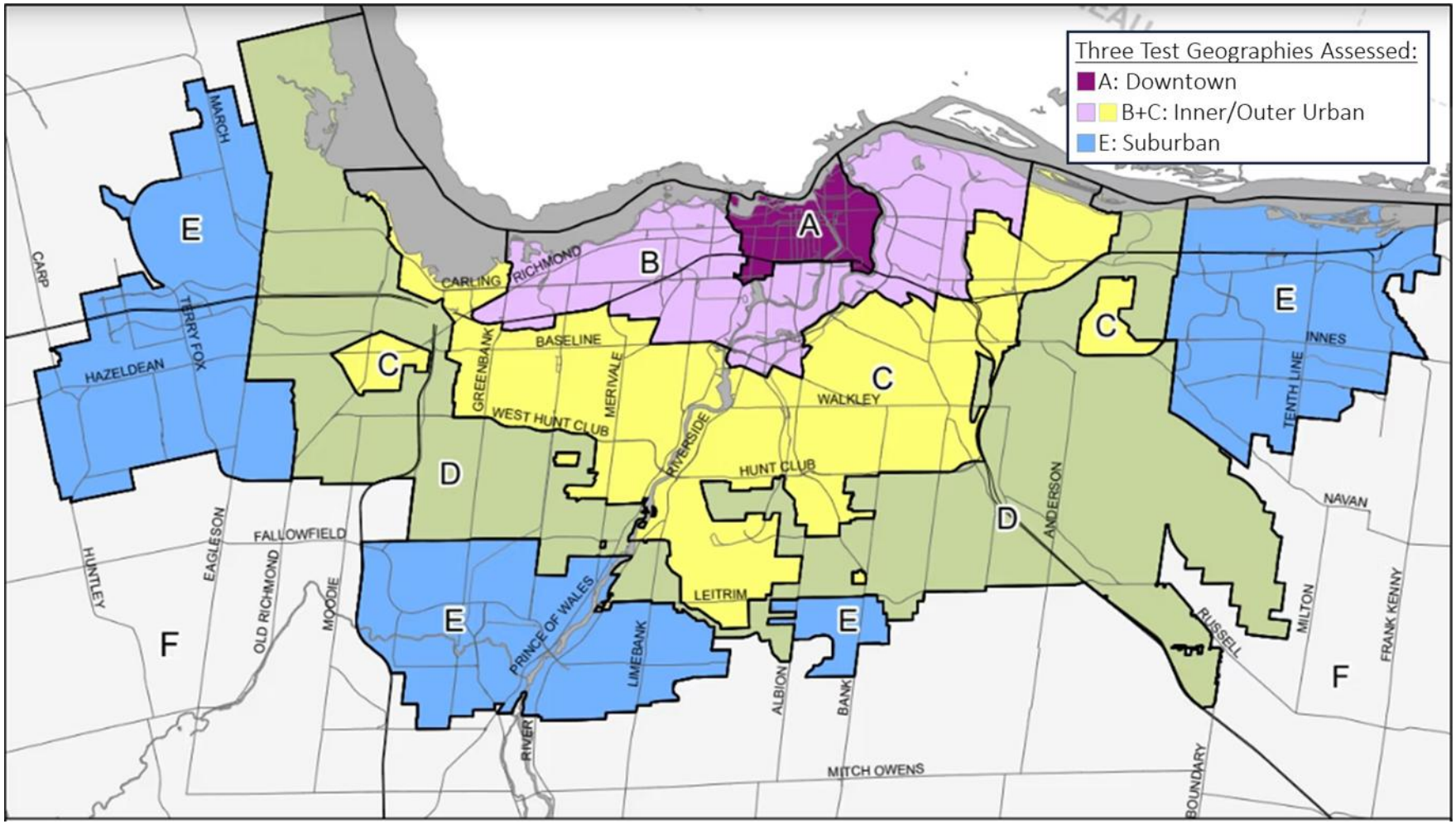


Table 10: Development Statistics

Development Statistics			
Transect:	**Downtown**	**Inner/Outer Urban**	**Suburban**
Building Height (storeys):	55	30	6
Gross Floor Area (sf):	342,335	187,098	251,628
Average Unit Size:	700	750	850
Total Units:	438	223	265
Studio (%):	15%	10%	0%
1-Bedroom (%):	45%	45%	55%
2-Bedroom (%):	35%	40%	40%
3-Bedroom (%):	5%	5%	5%
Residential Parking Ratio:	0.50	0.60	1.00

The development concepts are tested in both condominium and purpose-built rental tenures. For the condominium scenarios the IZ units are assumed to be affordable ownership, and in the purpose-built rental scenarios the IZ units are assumed to affordable rental for a period of 25 years.

As described earlier in this report, NBLC conducted market research to assess local pricing/market rent dynamics for comparable product across these three geographic transects in the City of Ottawa. Research on hard, soft, and financing costs was also conducted, specific to the City of Ottawa and the built form/heights being tested. These variables were then used to develop a financial proforma under a residual land value methodology. Detail on the mechanics of the residual land value methodology used for this analysis is described in the previous section.

To assess the impact of an IZ policy, several iterations of the proforma were completed. These iterations include a base case (100% market development) of both condominium and rental tenures and two sensitivities testing a range of IZ parameters. As described further in the descriptions of assumptions to follow, one of the IZ sensitivities applies a theoretical 'forward-looking' perspective of the market with a series of optimistic assumptions applied to reflect a market that has stabilized and improved relative to current conditions. The scenarios assessed are outlined in the following **Table 11**.

Table 11: Base Cases and IZ Sensitivity Tests

Scenario	Set Aside Rate	Depth of Affordability*	Market Context
Base Case	0%	N/A (100% Market Rate)	Current
Base Case	0%	N/A (100% Market Rate)	Forward-Looking
IZ Sensitivity 1	5%	Income-Based Purchase Price/100% of AMR	Current
IZ Sensitivity 2	5%	Income-Based Purchase Price/100% of AMR	Forward-Looking

**AMR refers to average market rent as defined by the Province of Ontario. Income-based purchase price refers to the affordable price set out by the Province in the DC Act for the sale of condominium apartment units in the City of Ottawa.*

8.2 Assumptions

The following assumptions are applied in the financial analysis:

Market Revenue Inputs

- An average index sale price of $875 per square foot for the sale of a condominium apartment unit in the Downtown transect, a low of $600 per square foot and a high of $850 per square foot in the Inner/Outer Urban transect, and $550 per square foot in the Suburban transect. Given the size of the Inner/Outer Urban transect, high and low revenue assumptions are incorporated to reflect variability in these markets.
- Rental apartments are assumed at an average rent of $3.75 per square foot per month in the Downtown transect, a low of $3.00 per square foot and a high of $3.50 per square foot in the Inner/Outer Urban area, and $2.90 per square foot in the Suburban transect.
- Parking for condominium apartments is assumed to sell at $45,000 per stall in the Downtown and Inner/Outer Urban transects with storage lockers at $7,500 and $5,000 per locker, respectively. In the Suburban transect parking and storage are assumed to be included in the purchase price of a unit.
- Parking for rental apartments is assumed to lease at $200 per month, with storage at $75 per month in the Downtown, and at $150 and $25 per month in the Inner/Outer Urban transect. In the Suburban transect parking is assumed at $150 per month with storage assumed to be included in the monthly rent of a unit.
- An absorption rate of 5 sales per month in the Downtown and Inner/Outer Urban transects and 2 sales per month in the Suburban transect is assumed.

- In the rental scenarios, a margin for vacancy and bad debt is assumed at 2%. An operating expense ratio is assumed at 32.5% for market units. The rental scenarios also assume a cap rate of 5.15% which assumes the CBRE Q4-2024 Multi-Family High Rise A cap rate for the City of Ottawa, plus a spread of 50 basis points to account for developer profit (however, in stronger economic circumstances this threshold would often be 75 to 100 bps).
- A revenue inflator of 3% is assumed in both the condominium and rental scenarios.

Parking Rate Assumptions

- Parking is assumed to be accommodated below grade at a rate of 0.5 spaces per unit in the Downtown transect, 0.6 spaces per unit in the Inner/Outer Urban transect and 1.0 space per unit in the Suburban transect. Visitor parking is assumed at a rate of 0.1 spaces per unit across all scenarios. It is assumed that there is no residential parking associated with the IZ units, however the visitor parking ratio is applied.

IZ Unit Assumptions

- The IZ units are assumed at a set aside rate of 5% of units as affordable as per Ontario Regulation 54/25, amending Ontario Regulation 232/18.
- Condominium scenarios assume inclusion of affordable ownership units. Rental scenarios assume inclusion of affordable rental units that are assumed to maintain affordability for a period of 25 years. After the period of affordability ends, these units are assumed to transition to market rental units (using a market cap rate assumption; however, a cost allowance is also included to assume a modest – $50,000 per unit – renovation).
- The Provincial definition of affordable housing from the Development Charges Act is used:
    - The Province defines affordable ownership housing as the lesser of 90% of the average purchase price set out by the Province, and an income-based purchase price based on housing costs equating to 30% of gross income for low and moderate income households. The lesser of these two is the income-based definition, which is applied in both IZ sensitivities (approximately $438,300).
    - The Province defines affordable rental housing as the lesser of 100% of average market rent, and an income-based definition. The lesser of these two is 100% of average market rent, which is applied in both IZ sensitivities (weighted against the assumed suite mix this equates to an average affordable monthly rent between $1,518 to $1,569 per month depending on the market transect).
- As per Provincial policy, all affordable units in a project subject to IZ are assumed to be exempt from development charges, cash-in-lieu of parkland and community benefit charges. This results in a discount to the total cost of these fees, as they are still apportioned to the market units in the development.
- The assumed cap rate for the valuation of the affordable rental units is the assumed market cap rate plus 100 basis points (6.15%).

- Operating expenses for affordable rental units are calculated by applying market operating expenses to affordable rental rates – equating to an 'opex' ratio of 65% to 70%.

Hard and Soft Construction Cost Assumptions

- Estimated hard construction costs are based on ranges from the 2025 Altus Construction Cost Guide. A contingency factor of 10% is applied on total hard costs. Hard cost inputs are assumed as follows:
  - $370 per square foot for the above grade construction of the 55-storey concept in the Downtown transect.
  - $340 per square foot for the construction of the 30-storey concept in the Inner/Outer Urban transect.
  - $288 per square foot for the construction of the 6-storey concept in the Suburban transect, assuming a wood frame build.
  - Underground parking costs of $230 per square foot.
- Site preparation costs of $20 per square foot of site area, and site servicing costs and landscaping/hardscaping costs of $1,000 per unit, each, are assumed.
- A commission of 4% of gross revenue for the condominium scenarios and of three months' rent for the rental scenarios is assumed.
- Cash-in-lieu of parkland fees capped at 10% of land value are assumed as per Bill 23. Community benefit charges are assumed at 4% of land value as per Bill 23/City of Ottawa.
- Planning fees, building permit fees, development charges and property taxes are assumed as per prescribed rates by the City of Ottawa at the time of writing.
- HST is assumed to be waived in the purpose-built rental scenarios as per Provincial and Federal announcements regarding the waiver of HST to incent rental development.
- An interest rate equating to the current Bank of Canada overnight lending rate plus 200 basis points is assumed (4.75%).
- A developer profit margin of 15% is assumed in the condominium scenarios.
- A discount rate of 7% is assumed.

Development Timing Assumptions

- Timing assumptions include a 7-month period for development approvals as directed by the City of Ottawa (119 days for zoning approval and 100 days for site plan approval).
- A construction period of 3.5 years for the 55-storey concept, 3 years for the 30- storey concept and 2.5 years for the 6-storey concept is assumed.
- In the condominium scenarios a 6-month period for pre-marketing and a 6-month period for occupancy is also assumed.

Market Sensitivity Testing Parameters

- In sensitivity testing, a set of optimistic forward-looking inputs are assumed to reflect a market that has stabilized from current volatile conditions. While it is impossible to predict how market conditions will evolve and over what period of time, the following assumptions generally reflect stronger demand and revenue appreciation, as well as moderation in cost inflation that has been persistent in the market for the past five years. The following key assumptions are made:
    - For the condominium scenarios, the absorption rate is increased to 15 sales per month in the Downtown transect, 10 sales per month in the Inner/Outer Urban transect, and 5 sales per month in the Suburban transect.
    - The construction loan interest rate is decreased to 4% from the 4.75% rate assumed in the other sensitivities. Major Canadian banks predict a 50 to 75 basis point reduction from the current Bank of Canada overnight lending rate (2.75%) by the end of 2026.
    - The revenue inflator assumed is increased from 3% to 4% to reflect demand returning to the market.
    - A 2% cost inflator is assumed to reflect construction costs stabilizing and increasing less rapidly overtime.
    - As directed by the City of Ottawa, municipal development charges have been reduced by 50%.
    - The price of parking is increased to $60,000 per stall in the Downtown transect, $50,000 per stall in the Inner/Outer Urban transect and $25,000 per stall in the Suburban transect.
    - In the purpose-built rental scenarios, the price of parking is increased to $250 per stall per month in the Downtown transect, $200 per stall per month in the Inner/Outer Urban transect, and $175 per stall per month in the Suburban transect.
    - The cap rate used in the valuation of the rental units is decreased to 4.50% from 5.15% to reflect improving market conditions and the potential associated increase in property values.

8.3 Factors Affecting Land Values

This analysis is being conducted at time where the residential real estate market has slowed significantly. This slowdown is directly related to persistent inflation, elevated interest rates and rapidly increasing development costs which have impacted the affordability of housing and the feasibility of new development. In addition, the recent erosion of North American trade relationships has created renewed uncertainty with respect to the impact that tariffs may have on the cost of development.

There are several interrelated dynamics that should be considered when reviewing the results of the financial analysis. While many of these have been discussed throughout this report, they are repeated to again communicate the significant impact they are having on development economics and overall feasibility in the current market.

Escalating Construction Costs

Residential construction costs increased modestly in Ontario leading up to the COVID-19 pandemic, well out paced by growth in home prices. However, by the end of 2020 as the COVID-19 pandemic took hold and associated lockdowns began, construction costs started to rise rapidly. Significant impacts related to supply chain disruptions, raw material price escalation, labour supply shortages, labour productivity as a result of lockdowns and onsite heath restrictions, the rising cost of borrowing, as well as many other related factors have caused the costs to escalate.

While some industry experts are expecting construction costs to moderate looking forward, and possibly decline modestly, most do not expect that they will fall substantially back to pre-pandemic norms.

Interest Rate Hikes

To battle inflation, the Bank of Canada consecutively increased its benchmark interest rate seven times in 2022 and three times in 2023. This had a significant impact on borrowing costs, leading to softening across most residential sectors. The resale market was most impacted with a notable drop in both sales and pricing, while developers in the new construction sector delayed many projects leading to very low sales and declining pricing.

Higher interest rates have impacted construction borrowing costs, which have had an impact on the feasibility of new development and on the land market. This means that financing and carrying costs, which would be in addition to the construction costs identified above, have also risen dramatically. At the same time, access to financing and debt is also becoming more difficult, which is also impacting overall development feasibility and activity.

We would expect that soft market conditions will continue until interest rates have stabilized and buyers, sellers, lenders, and builders feel that the market is more predictable. As of June 2024, the Bank of Canada has slowly begun to reduce its policy interest rate, by a combined 200 basis point reduction over the last 11 months.

Flat Pricing

While the costs of construction and borrowing have increased, there has not been any significant offsetting change in pricing. The new condominium apartment market in Ottawa has slowed, with only two projects launching since 2021 (and only 7 projects actively marketing across Ottawa, with most having launched prior to the pandemic in 2019). While new rental supply is still being created in Ottawa, it should be noted that land purchased for projects that were actively marketing at the time of our market survey transacted in 2022 and earlier when development economics were less challenged.

The above factors have caused a compression in land values and have led to a reduction in overall land transactions since 2021.

Figure 25 and **Figure 26**, highlight recent residential land transaction trends in the City of Ottawa. Only four transactions were observed since the beginning of 2024, with the majority of transactions in the past five years having occurred in 2021 and 2022.

Figure 25: Volume of High Density Residential Land Transactions for City of Ottawa - 2021 to 2025

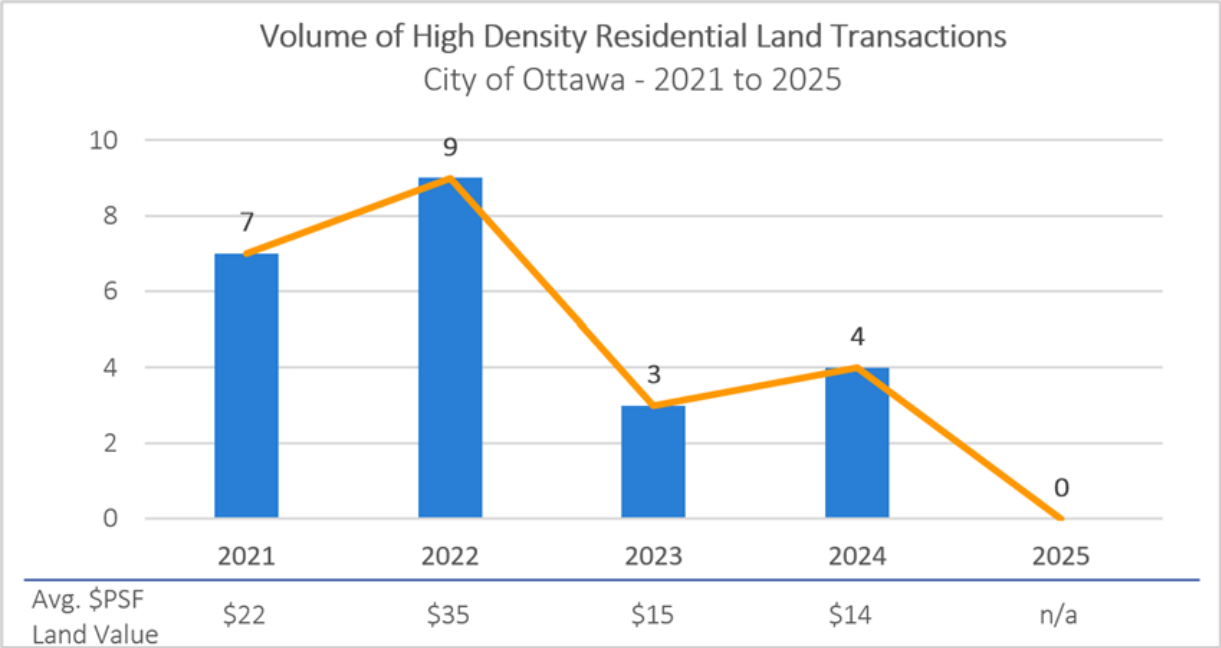
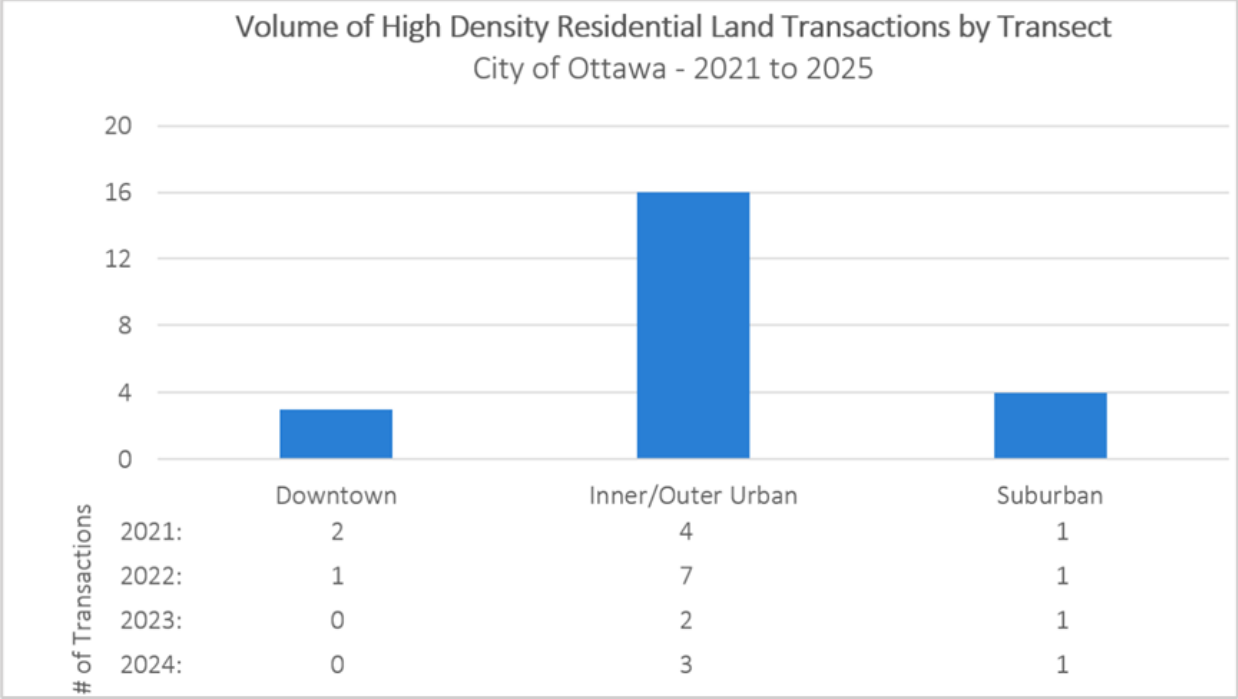


Figure 26: Volume of High Density Residential Land Transactions by Transect for City of Ottawa - 2021 to 2025



Source: Geowarehouse and City of Ottawa Planning Department.

Particularly of note, only three high-density residential development sites have transacted in the downtown since 2021, all occurring in 2022 and earlier. This context is extremely important as policy decision makers must remain cognizant that the market is in a very challenging period with few developers able to advance new projects.

Declining land values and transaction activity will negatively influence the feasibility of new development due to the following:

- Developers who have made a land purchase in the past five or so years did so with certain market assumptions and expectations. It is very likely that current proforma results represent unviable project outcomes and that these developers must wait for market conditions to be restored to advance new development.
- For existing landowners, it is likely that the market value for undeveloped land is unappealing in the current context. This dynamic is validated by the decrease in land transaction volumes observed, which can present challenging conditions for a market intervention like Inclusionary Zoning. Landowners are often reluctant to sell in market environments such as this, instead preferring to wait until market conditions improve and value returns.
- Market uncertainty results in developers, lenders, and investors waiting for more predictable market conditions to return.
- As land transactions decrease, future supply also decreases as developers are not acquiring land for future development.
- With land values already declining, an IZ policy without offsetting measures will make this situation more difficult.

While these conditions are currently bleak, it is important to recognize that the market is cyclical. After a decade of remarkable growth and strength, conditions are now moderating to the new 'normal.' While it is impossible to fully predict how the market will evolve over time, it is expected that if interest rate cuts continue to occur, as signaled by the Bank of Canada, and construction costs moderate, then feasibility will improve, and land values will adjust. However, the timeline for market improvement is entirely unknown.

The forward-looking series of market parameters assumed in Sensitivities 5 and 6, as described in **Section 8.1**, are intended to reflect a market context where the market has evolved and stabilized from current volatile conditions, with stronger demand and revenue appreciation as well as moderation in costs.

8.4 Key Findings

The following summarizes the results and key findings of the financial analysis. Summary information is provided in **Tables 13 to 24** in **Appendix A**.

- The real estate market is currently experiencing significant feasibility challenges, which are demonstrated through slowing construction activity and a decline in land transactions. Within current market conditions, there are few signals of viable project outcomes, absent any measure of affordable housing.

- The results indicate that for developers seeking to buy land in the current market, or who have recently purchased land, development is currently unviable and/or very risky. The base case scenario for all three development concepts is not viable in either condominium or rental tenure in the current market context (i.e., the combined dollar value of costs and developer profit exceed total revenue).
- These base-case findings create a problematic starting point for the consideration of any IZ policy. If market-rate projects are currently challenged, the opportunity to implement an IZ policy is absent because there is no surplus land value to draw upon to offset the cost of the policy.
    - In the condominium market, these market conditions are being demonstrated through a lack of new project launches. Notwithstanding, supply is still being generated in Ottawa's rental market.
    - Rental developers operate understanding that their return will be achieved over a longer period given the nature of purpose-built rental housing. It is possible that some developers may be proceeding with a lower/compressed rate of return considering that market fundamentals indicate the opportunity to achieve a stable and reliable cashflow and their property is likely to continue appreciating over time. Some rental developers may also be advancing with land purchased historically at a lower cost, or on sites which have been productive with existing rental apartments or another land use in the interim. It was uncovered through NBLC's research that of the purpose-built rental projects actively leasing within the City of Ottawa at the time of our market survey, all of these projects (except for one) are on sites that transacted in 2022 or earlier. This indicates that the development economics of these sites are based upon much more favourable conditions.
- When the IZ policy is layered in and tested at a 5% set aside rate and at a depth of affordability aligning with Provincial policy in Sensitivity 1, land values are generally eroded further from the base case. However, the inclusion of affordable ownership in some instances (i.e. in weaker/emerging submarkets) has the effect of slightly improving residual land value results in comparison to the base case condominium apartment results. Notwithstanding, while IZ is not eroding land values in this case, these prototype results continue to remain unviable as demonstrated through the 'negative' land value results.
    - Based on the assumed depth of affordability for the IZ units in ownership tenure, there is not a significant gap between market and below-market revenue generation. Ottawa's condominium apartment market is characterized by pricing that is generally attainable given the presence of relative affordability throughout the low-density housing market. Condominium projects also typically sell units at a slow pace given that Ottawa's market has few investors, meaning that end-user purchasers are prevalent.
    - This dynamic is particularly relevant in the transects that are weaker from a market revenue generation perspective. For example, in the Suburban transect the assumed market price is $550 psf. The depth of affordability at the income-based purchase price set out by the Province is less than $35 psf lower at $516 psf (see **Table 12** for more detail).

- As per Provincial policy, development charges are waived on IZ units and cash-in-lieu of parkland fees and community benefit charges paid are discounted to reflect market units only. In addition, this analysis assumes that there is no parking associated with the IZ units which creates a significant savings in terms of underground hard construction costs (based on the assumptions utilized in this analysis parking stalls drive a hard cost in the order of $92,000, each – before contingencies and other applicable soft costs).
- When these cost savings are combined with the fact that market revenue thresholds are relatively attainable in some Ottawa submarkets, the IZ development scenario can modestly outperform a market development in some cases as these savings are more valuable than the loss in revenue associated with delivering the IZ units.
- In pragmatic terms, this is essentially a model that demonstrates the impact of applying incentives to projects with at-market or near-market units within a challenging economic overlay. If Ottawa's condominium apartment market was demonstrating stronger viable results today, these dynamics would be reversed entirely, with the revenue gap between market and affordable ownership units widening significantly. The trend demonstrated in this result is therefore academic in nature and should not be construed as a positive or viable demonstration of a potential IZ policy.

Table 12: Condominium Index Pricing Market and Below Market Price Comparison

Condominium Index Pricing Market and Below Market Price Comparison				
Geography:	**Downtown**	**Inner/Outer Urban**		**Suburban**
		High End	**Low End**	
Market Price	$875	$850	$600	$550
Income-Based Purchase Price:	$438,300			
Income-Based Purchase Price ($PSF):	$626	$584	$584	$516

Note: Red coloured cells indicate where the affordable purchase price is generally in line with market purchase pricing on a psf basis. This is due to the nature of the methodology undertaken by the Province whereby an income-based approach is utilized which is not reflective of the variance between the three market geographies being tested. In these two instances, the affordable definition is not significantly different from current market revenue potential and in practical terms does not reflect what would actually be affordable in some submarkets.

- In Sensitivity 2 where NBLC has applied a series of theoretical optimistic assumptions to reflect market conditions that have improved from the current economic context, stronger signs of viability are observed:
  - A forward-looking approach allows for condominium land value generation to improve, with some positive signals of feasibility observed in stronger market transects.

- The purpose-bult rental scenarios also demonstrate signals of viability with positive RLV results in stronger market transects. Across all transects, the purpose-built rental land values are higher than what is observed in condominium tenure within the context of a theoretical forward-looking, improved set of market assumptions. This aligns with recent trends demonstrated throughout Ottawa, where the rental market has been stronger than the condominium apartment market. This is largely due to demand for rental housing created by the presence of post-secondary students, contract-based employment, young professionals, immigrants, and non-permanent residents. This was also a key finding in the City's HNA, which found that renter household growth was far outpacing owners. Rental development also benefits from development incentives from Federal and Provincial levels of government which aid in creating new supply. In contrast, Ottawa's condominium apartment market tends to operate slowly due to a large end-user demographic and relative affordability across low-rise supply.

Implications of Key Findings

In simple terms, this IZ impact analysis demonstrates feasibility challenges for market-rate apartment development in Ottawa today. When IZ policy permutations are applied to depressed market land value results, the demonstrated impact of IZ is muted because the spread between achievable market and affordable revenues is relatively narrow. This gap will increase as market strength returns, with the forward looking/optimistic sensitivity results included as part of this report demonstrating this relationship.

If IZ policies were brought forward in the near term, the policy would be a friction point to future market recovery throughout Ottawa's PMTSAs. It would generally be preferable to see incentives stacked along with an IZ program in early stages alongside a phased implementation program to ease that friction to some degree. Then, as market conditions rebound and stabilize from the current economic context, there could be opportunities to support feasible development outcomes within PMTSAs that include a measure of affordable inclusion.

To limit negative externalities and allow the market to evolve, the following options could be considered individually, or in tandem, as the City considers a near-term approach to IZ's implementation:

- **Implement an IZ policy with a 0% set aside rate until the market improves:** The City could elect to implement an IZ policy framework with a set aside rate of 0%. This would implement the policy, however, would not place a requirement for the affordable housing until the market improves and can sustain the impact. Over time, the City could then slowly phase in an increased set aside rate up to the maximum of 5% permitted through Provincial policy.
- **Implement an IZ policy with financial offsets:** The City could implement IZ at the full 5% (or another lower) set aside rate but offer associated financial incentives. This would offset the impact of the affordable housing requirement and allow projects to advance as market conditions improve. We would recommend that the need for incentives be carefully monitored through updates to the City's IZ Impact Assessment Reporting (as is required by legislation). The amount of incentive could be adjusted over time or removed as market conditions improve over time. This approach would require a budget to offer incentives, which would likely be significant given the findings in this report.

Overall, it is important to note that while the immediate outlook for the implementation of IZ policies is challenging, down markets can be an appropriate time for policy formulation. As the market rebounds, the City will be in a position to see IZ priced into the cost of doing business, with more equitable housing outcomes in transit supportive development than might have otherwise been realized. The challenge facing policymakers is to allow for flexibility in the calibration of policy so that developers take-up the policy as part of their projects rather than shifting the location of their investment activities to market areas that not affected by IZ.

9.0 Implementation and Administrative Considerations

The following provides high-level considerations regarding the implementation and administration of IZ.

9.1 Implementation

To implement inclusionary zoning policies, there are several requirements that must be met, as noted in **Section 2.0** of this report, and set out within Ontario Regulation 232/18. These include the delineation of PMTSAs, the publication of an Assessment Report and peer review, and the relevant Official Plan policies and Zoning By-Laws.

The City of Ottawa will be responsible for the planning framework within each PMTSA, selecting the IZ policy framework, approving this IZ assessment report, managing the peer review of the assessment report, and implementing the Official Plan policies and zoning regulations that will enable IZ. The City has already developed a number of policies regarding PMTSAs in their Official Plan, including:

- PMTSA location and boundaries
- Minimum density of people and jobs per gross hectare
- Permitted uses
- Building heights, and
- Provisions to permit new or expanded PMTSAs.

If incentives or other offsets are being offered, these must also be brought forward through an appropriate mechanism.

Beyond this, there are requirements for certain reports to be published on a periodic basis. The Assessment Report required to initiate the IZ policy-making process must be reassessed and updated every five years. It is recommended that an earlier review occurs to ensure the market is adequately responding to the policy, particularly if a phase-in of the policy is proposed. Moreover, a report detailing the affordable housing units created through IZ must be prepared at least every two years. This report must note:

1. The number of affordable housing units.
2. The types of affordable housing units (e.g., 1-bedroom units or Large-household Dwellings).
3. The location of the affordable housing units (i.e., are the units located in a block, or distributed throughout the building).
4. The range of household incomes for which the affordable housing units were provided.
5. The number of affordable housing units that were converted to units at market value.
6. The proceeds that were received by the municipality from the sale of affordable housing units.

9.2 Administration

Beyond implementation, IZ must be supported by an effective administrative framework. An ineffective framework can cause an IZ policy to fail, even if the policy is well-calibrated to market and economic realities. The administrative framework can also influence the variables assessed in the Assessment Report and therefore the findings.

IZ Unit Purchasing and Tenure

The City will need to determine how IZ units are secured, purchased, and operated. These scenarios include purpose-built rental units, condominium development with a non-profit block purchaser, and condominium development with no block purchaser. The administration of IZ units should be established and formalized through an Inclusionary Zoning Agreement, and considerations include:

- The period of affordability.
- The type of units set aside for IZ (e.g., 1-bedroom units or Large-household Dwellings), and the location of units within the building.
- The tenure of IZ units (rental or ownership).
- Equitable access to building amenities.
- How affordability is calculated and subject to change over time.
- If income testing is a requirement of administration and who conducts income testing for potential tenants or owners of IZ units.
- Mechanisms for ensuring and monitoring compliance with affordability requirements (including calculation methodologies and income testing protocols) for both rental and ownership IZ units throughout the stipulated affordability period, incorporating resale controls for ownership units and procedures for handling net proceeds from sales as per O. Reg. 232/18.
- Establishment of clear roles and responsibilities for all administrative functions (e.g., City departments, third-party administrators).
- Development of standardized legal agreements for IZ.

IZ units secured through **purpose-built rental buildings** may need to develop agreements with building operators that establish:

- Adherence to “Residential Tenancies Act 2006” provisions, supplemented by IZ-specific requirements for rent levels (based on defined affordability), eviction, and landlord/tenant responsibilities.
- The process for tenant application, screening, income verification, selection, and waitlist management, including the respective roles of the City and building operators.
- Protocols for managing unit vacancies and prompt re-occupancy by eligible households.
- Reporting specifics of long-term monitoring and data collection from building operators.
- Dispute resolution mechanisms related to IZ provisions.

IZ units secured through **condominium development with or without a block purchaser** should develop agreements with building developers and the purchaser that establish:

- The pricing of IZ units and the mechanism for how they are secured and made available, whether to non-profit operators or to individual purchasers (e.g., through Requests for Proposals, quarterly tranches, etc.).
- The specific stage in the development approval process when IZ units are secured (e.g., Site Plan Control Agreement, Draft Plan of Condominium Approval, Building Permit, Occupancy Permit, etc.).
- The process for marketing units and selecting occupants. This includes defining the roles of the City, developer, and/or non-profit operator in qualifying eligible purchasers/tenants, managing income verification, and administering the selection process (e.g., lottery, waitlist).
- The terms for the timely sale of units and the nature of the legal agreements. This requires either condominium documentation to facilitate a block sale to a non-profit or standardized agreements for individual purchasers that outline all IZ obligations, including resale restrictions.
- The provisions governing the long-term use of the units.
    - If operated as rentals by a non-profit, this includes adherence to the *Residential Tenancies Act*, supplemented by IZ-specific requirements for rent levels and tenant management.
    - For individual owners, agreements must incorporate all IZ obligations, including resale mechanisms, price controls, and procedures for managing and distributing net proceeds from a sale.
- The requirements for ongoing compliance reporting and monitoring, whether for a non-profit operator's portfolio or for individual owner-occupancy.
- The procedures for managing net proceeds from the future sale of IZ units and establishing contingency measures should a non-profit operator default, become insolvent, or otherwise cease to function.

Development Approvals

The development approvals process for IZ units should be established to ensure that IZ policy is codified and adhered to, while also ensuring no additional barriers or unnecessary administrative burdens are established that could impede approval timelines, increase uncertainty for developers, or further dis-incentivize the development of residential housing within PMTSAs.

Pre-consultation should be encouraged in PMTSAs to provide clear articulation and understanding of how IZ policies are codified and will be applied, thereby mitigating the risk of introducing additional barriers or administrative burdens that could impede approval timelines or increase uncertainty.

Agreements at development milestones (i.e., Site Plan, Building Permit, Occupancy Permit) should be established to ensure that both the City and the developer are working collaboratively to ensure the timely approval and completion of residential projects within PMTSAs.

Incentivizing IZ Units and Market Indicators

The City should continue to explore grant programs and Housing Accelerator Funds to incentivize the development of IZ units, especially in a market that is strained by several economic factors that currently challenge viable project outcomes. Monitoring key market indicators, as identified in **Section 7.2**, will be important to consider when determining if changes to IZ policy, such as increased set-aside rates, is appropriate, or if this could further exacerbate existing strain on development economics in the Ottawa market.

Future Policy Considerations

The policy context both provincially and federally will be important to consider when determining how IZ policy in the city is administered. Identifying opportunities at the provincial and federal level could reduce the financial burden that IZ presents to development in the city and provide the needed leverage to effectively administer IZ policy in PMTSAs.

Appendix A: Financial Proforma Summary Tables

Table 13: Residual Value Analysis Summary - Condominium Results

Residual Land Value Analysis Summary - Condominium Results				
Scenario	**Downtown**	**Inner/Outer Urban - HIGH**	**Inner/Outer Urban - LOW**	**Suburban**
Gross Floor Area (sf):	342,335	187,098	187,098	251,628
Building Height:	55	30	30	6
Total Number of Units:	438	223	223	265
Base Case - 100% Market Condominium				
Future Value (FV)	$ (29,904,000)	$ (6,356,000)	$ (37,605,000)	$ (75,917,000)
Present Value (PV)	**$ (14,992,000)**	**$ (3,904,000)**	**$ (23,097,000)**	**$ (34,108,000)**
PV per unit	$ (34,300)	$ (17,500)	$ (103,500)	$ (128,800)
PV psf	$ (44)	$ (21)	$ (123)	$ (136)
Inclusionary Zoning Scenarios				
Sensitivity 1 - Market Condominium with 5% Affordable Ownership at 80% of Average Purchase Price				
Market Units:	416	212	212	252
Affordable Units:	22	11	11	13
Set Aside Rate:	5%	5%	5%	5%
Future Value (FV)	$ (31,156,000)	$ (7,452,000)	$ (37,101,000)	$ (74,246,000)
Present Value (PV)	**$ (15,892,000)**	**$ (4,618,000)**	**$ (22,989,000)**	**$ (34,241,000)**
PV per unit	$ (36,300)	$ (20,700)	$ (103,000)	$ (129,300)
PV psf	$ (46)	$ (25)	$ (123)	$ (136)
# Impact on Land Value from Base Case:	**$ (900,000)**	**$ (714,000)**	**$ 108,000**	**$ (133,000)**
% Impact on Land Value from Base Case:	**-6.0%**	**-18.3%**	**0.5%**	**-0.4%**

Table 14: Residual Land Value Analysis Summary - Condominium Results

Residual Land Value Analysis Summary - Condominium Results				
Scenario	Downtown	Inner/Outer Urban - HIGH	Inner/Outer Urban - LOW	Suburban
Gross Floor Area (sf):	342,335	187,098	187,098	251,628
Building Height:	55	30	30	6
Total Number of Units:	438	223	223	265
Base Case - 100% Market Condominium				
Future Value (FV)	$ (29,904,000)	$ (6,356,000)	$ (37,605,000)	$ (75,917,000)
Present Value (PV)	**$ (14,992,000)**	**$ (3,904,000)**	**$ (23,097,000)**	**$ (34,108,000)**
PV per unit	$ (34,300)	$ (17,500)	$ (103,500)	$ (128,800)
PV psf	$ (44)	$ (21)	$ (123)	$ (136)
Inclusionary Zoning Scenarios				
Sensitivity 2 - Market Condominium with 5% Affordable Ownership at 100% of Average Purchase Price				
Market Units:	416	212	212	252
Affordable Units:	22	11	11	13
Set Aside Rate:	5%	5%	5%	5%
Future Value (FV)	$ (29,174,000)	$ (6,453,000)	$ (36,101,000)	$ (73,032,000)
Present Value (PV)	**$ (14,881,000)**	**$ (3,998,000)**	**$ (22,370,000)**	**$ (33,681,000)**
PV per unit	$ (34,000)	$ (17,900)	$ (100,200)	$ (127,200)
PV psf	$ (43)	$ (21)	$ (120)	$ (134)
# Impact on Land Value from Base Case:	**$ 111,000**	**$ (94,000)**	**$ 727,000**	**$ 427,000**
% Impact on Land Value from Base Case:	**0.7%**	**-2.4%**	**3.1%**	**1.3%**

Note: Low Inner/Outer Urban and Suburban results are greyed out to as the depth of affordability at 100% of the Provincial average purchase price reflects a price that is higher than what is achievable from a market perspective due to the methodology used by the Province. These results are not indicative of a realistic affordable housing development as this affordable price does not reflect what would actually be affordable in that market.

Table 15: Residual Land Value Analysis Summary - Condominium Results

Residual Land Value Analysis Summary - Condominium Results				
Scenario	**Downtown**	**Inner/Outer Urban - HIGH**	**Inner/Outer Urban - LOW**	**Suburban**
Gross Floor Area (sf):	342,335	187,098	187,098	251,628
Building Height:	55	30	30	6
Total Number of Units:	438	223	223	265
Base Case - 100% Market Condominium				
Future Value (FV)	$ (29,904,000)	$ (6,356,000)	$ (37,605,000)	$ (75,917,000)
Present Value (PV)	**$ (14,992,000)**	**$ (3,904,000)**	**$ (23,097,000)**	**$ (34,108,000)**
PV per unit	$ (34,300)	$ (17,500)	$ (103,500)	$ (128,800)
PV psf	$ (44)	$ (21)	$ (123)	$ (136)
Inclusionary Zoning Scenarios				
Sensitivity 3 - Market Condominium with 10% Affordable Ownership at 80% of Average Purchase Price				
Market Units:	394	201	201	238
Affordable Units:	44	22	22	26
Set Aside Rate:	10%	10%	10%	10%
Future Value (FV)	$ (32,387,000)	$ (8,542,000)	$ (36,595,000)	$ (72,575,000)
Present Value (PV)	**$ (16,808,000)**	**$ (5,340,000)**	**$ (22,877,000)**	**$ (34,357,000)**
PV per unit	$ (38,400)	$ (23,900)	$ (102,500)	$ (129,700)
PV psf	$ (49)	$ (29)	$ (122)	$ (137)
# Impact on Land Value from Base Case:	**$ (1,816,000)**	**$ (1,436,000)**	**$ 220,000**	**$ (249,000)**
% Impact on Land Value from Base Case:	**-12.1%**	**-36.8%**	**1.0%**	**-0.7%**

Table 16: Residual Land Value Analysis Summary - Condominium Results

Residual Land Value Analysis Summary - Condominium Results				
Scenario	Downtown	Inner/Outer Urban - HIGH	Inner/Outer Urban - LOW	Suburban
Gross Floor Area (sf):	342,335	187,098	187,098	251,628
Building Height:	55	30	30	6
Total Number of Units:	438	223	223	265
Base Case - 100% Market Condominium				
Future Value (FV)	$ (29,904,000)	$ (6,356,000)	$ (37,605,000)	$ (75,917,000)
Present Value (PV)	**$ (14,992,000)**	**$ (3,904,000)**	**$ (23,097,000)**	**$ (34,108,000)**
PV per unit	$ (34,300)	$ (17,500)	$ (103,500)	$ (128,800)
PV psf	$ (44)	$ (21)	$ (123)	$ (136)
Inclusionary Zoning Scenarios				
Sensitivity 4 - Market Condominium with 10% Affordable Ownership at 100% of Average Purchase Price				
Market Units:	394	201	201	238
Affordable Units:	44	22	22	26
Set Aside Rate:	10%	10%	10%	10%
Future Value (FV)	$ (28,429,000)	$ (6,544,000)	$ (34,597,000)	$ (70,151,000)
Present Value (PV)	**$ (14,754,000)**	**$ (4,091,000)**	**$ (21,628,000)**	**$ (33,209,000)**
PV per unit	$ (33,700)	$ (18,300)	$ (96,900)	$ (125,400)
PV psf	$ (43)	$ (22)	$ (116)	$ (132)
# Impact on Land Value from Base Case:	$ 238,000	$ (187,000)	$ 1,469,000	$ 899,000
% Impact on Land Value from Base Case:	1.6%	-4.8%	6.4%	2.6%

Note: Low Inner/Outer Urban and Suburban results are greyed out as the depth of affordability at 100% of the Provincial average purchase price reflects a price that is higher than what is achievable from a market perspective due to the methodology used by the Province. These results are not indicative of a realistic affordable housing development as this affordable price does not reflect what would actually be affordable in that market.

Table 17: Residual Land Value Analysis Summary - Condominium Results (Forward-Looking Optimistic Scenario)

Residual Land Value Analysis Summary - Condominium Results (Forward-Looking Optimistic Scenario)				
Scenario	**Downtown**	**Inner/Outer Urban - HIGH**	**Inner/Outer Urban - LOW**	**Suburban**
Gross Floor Area (sf):	342,335	187,098	187,098	251,628
Building Height:	55	30	30	6
Total Number of Units:	438	223	223	265
Base Case - 100% Market Condominium				
Future Value (FV)	$ 1,481,000	$ 3,473,000	$ (27,380,000)	$ (44,949,000)
Present Value (PV)	**$ 935,000**	**$ 2,330,000**	**$ (18,366,000)**	**$ (27,634,000)**
PV per unit	$ 2,100	$ 10,400	$ (82,300)	$ (104,300)
PV psf	$ 3	$ 12	$ (98)	$ (110)
Inclusionary Zoning Scenarios - Forward Looking Context				
Sensitivity 5 - Market Condominium with 5% Affordable Ownership at 80% of Average Purchase Price and Optimistic Assumptions				
Market Units:	416	212	212	252
Affordable Units:	22	11	11	13
Set Aside Rate:	5%	5%	5%	5%
Future Value (FV)	$ (943,000)	$ 2,148,000	$ (27,337,000)	$ (44,868,000)
Present Value (PV)	**$ (599,000)**	**$ 1,447,000**	**$ (18,418,000)**	**$ (27,874,000)**
PV per unit	$ (1,400)	$ 6,500	$ (82,500)	$ (105,200)
PV psf	$ (2)	$ 8	$ (98)	$ (111)
# Impact on Land Value from Base Case:	**$ (1,534,000)**	**$ (883,000)**	**$ (52,000)**	**$ (240,000)**
% Impact on Land Value from Base Case:	**-164.1%**	**-37.9%**	**-0.3%**	**-0.9%**

Table 18: Residual Land Value Analysis Summary - Condominium Results (Forward-Looking Optimistic Scenario)

Residual Land Value Analysis Summary - Condominium Results (Forward-Looking Optimistic Scenario)				
Scenario	**Downtown**	**Inner/Outer Urban - HIGH**	**Inner/Outer Urban - LOW**	**Suburban**
Gross Floor Area (sf):	342,335	187,098	187,098	251,628
Building Height:	55	30	30	6
Total Number of Units:	438	223	223	265
Base Case - 100% Market Condominium				
Future Value (FV)	$ 1,481,000	$ 3,473,000	$ (27,380,000)	$ (44,949,000)
Present Value (PV)	**$ 935,000**	**$ 2,330,000**	**$ (18,366,000)**	**$ (27,634,000)**
PV per unit	$ 2,100	$ 10,400	$ (82,300)	$ (104,300)
PV psf	$ 3	$ 12	$ (98)	$ (110)
Inclusionary Zoning Scenarios - Forward Looking Context				
Sensitivity 6 - Market Condominium with 5% Affordable Ownership at 100% of Average Purchase Price and Optimistic Assumptions				
Market Units:	416	212	212	252
Affordable Units:	22	11	11	13
Set Aside Rate:	5%	5%	5%	5%
Future Value (FV)	$ 874,000	$ 3,007,000	$ (26,343,000)	$ (43,679,000)
Present Value (PV)	**$ 555,000**	**$ 2,026,000**	**$ (17,748,000)**	**$ (27,135,000)**
PV per unit	$ 1,300	$ 9,100	$ (79,500)	$ (102,400)
PV psf	$ 2	$ 11	$ (95)	$ (108)
# Impact on Land Value from Base Case:	**$ (380,000)**	**$ (304,000)**	**$ 618,000**	**$ 499,000**
% Impact on Land Value from Base Case:	**-40.6%**	**-13.0%**	**3.4%**	**1.8%**

Note: Low Inner/Outer Urban and Suburban results are greyed out as the depth of affordability at 100% of the Provincial average purchase price reflects a price that is higher than what is achievable from a market perspective due to the methodology used by the Province. These results are not indicative of a realistic affordable housing development as this affordable price does not reflect what would actually be affordable in that market.

Table 19: Residual Land Value Analysis Summary - Purpose-Built Rental Results

Residual Land Value Analysis Summary - Purpose-Built Rental Results				
Scenario	**Downtown**	**Inner/Outer Urban - HIGH**	**Inner/Outer Urban - LOW**	**Suburban**
Gross Floor Area (sf):	342,335	187,098	187,098	251,628
Building Height:	55	30	30	6
Total Number of Units:	438	223	223	265
Base Case - 100% Market Purpose-Built Rental				
Future Value (FV)	$ (17,513,000)	$ (12,725,000)	$ (26,784,000)	$ (32,789,000)
Present Value (PV)	**$ (13,270,000)**	**$ (9,974,000)**	**$ (20,994,000)**	**$ (26,585,000)**
PV per unit	$ (30,300)	$ (44,700)	$ (94,100)	$ (100,400)
PV psf	$ (39)	$ (53)	$ (112)	$ (106)
Inclusionary Zoning Scenarios				
Sensitivity 1 - Market Purpose-Built Rental with 5% Affordable Rental at 80% of AMR for 25 Years				
Market Units:	416	212	212	252
Affordable Units:	22	11	11	13
Set Aside Rate:	5%	5%	5%	5%
Future Value (FV)	$ (21,383,000)	$ (14,305,000)	$ (27,888,000)	$ (33,830,000)
Present Value (PV)	**$ (16,203,000)**	**$ (11,212,000)**	**$ (21,860,000)**	**$ (27,429,000)**
PV per unit	$ (37,000)	$ (50,200)	$ (97,900)	$ (103,600)
PV psf	$ (47)	$ (60)	$ (117)	$ (109)
# Impact on Land Value from Base Case:	**$ (2,933,000)**	**$ (1,238,000)**	**$ (866,000)**	**$ (844,000)**
% Impact on Land Value from Base Case:	**-22.1%**	**-12.4%**	**-4.1%**	**-3.2%**

Table 20: Residual Land Value Analysis Summary - Purpose-Built Rental Results

Residual Land Value Analysis Summary - Purpose-Built Rental Results				
Scenario	**Downtown**	**Inner/Outer Urban - HIGH**	**Inner/Outer Urban - LOW**	**Suburban**
Gross Floor Area (sf):	342,335	187,098	187,098	251,628
Building Height:	55	30	30	6
Total Number of Units:	438	223	223	265
Base Case - 100% Market Purpose-Built Rental				
Future Value (FV)	$ (17,513,000)	$ (12,725,000)	$ (26,784,000)	$ (32,789,000)
Present Value (PV)	**$ (13,270,000)**	**$ (9,974,000)**	**$ (20,994,000)**	**$ (26,585,000)**
PV per unit	$ (30,300)	$ (44,700)	$ (94,100)	$ (100,400)
PV psf	$ (39)	$ (53)	$ (112)	$ (106)
Inclusionary Zoning Scenarios				
Sensitivity 2 - Market Purpose-Built Rental with 5% Affordable Rental at 100% of AMR for 25 Years				
Market Units:	416	212	212	252
Affordable Units:	22	11	11	13
Set Aside Rate:	5%	5%	5%	5%
Future Value (FV)	$ (20,981,000)	$ (14,055,000)	$ (27,637,000)	$ (33,528,000)
Present Value (PV)	**$ (15,898,000)**	**$ (11,016,000)**	**$ (21,662,000)**	**$ (27,185,000)**
PV per unit	$ (36,300)	$ (49,400)	$ (97,100)	$ (102,600)
PV psf	$ (46)	$ (59)	$ (116)	$ (108)
# Impact on Land Value from Base Case:	**$ (2,628,000)**	**$ (1,042,000)**	**$ (668,000)**	**$ (600,000)**
% Impact on Land Value from Base Case:	**-19.8%**	**-10.4%**	**-3.2%**	**-2.3%**

Table 21: Residual Land Value Analysis Summary - Purpose-Built Rental Results

Residual Land Value Analysis Summary - Purpose-Built Rental Results				
Scenario	**Downtown**	**Inner/Outer Urban - HIGH**	**Inner/Outer Urban - LOW**	**Suburban**
Gross Floor Area (sf):	342,335	187,098	187,098	251,628
Building Height:	55	30	30	6
Total Number of Units:	438	223	223	265
Base Case - 100% Market Purpose-Built Rental				
Future Value (FV)	$ (17,513,000)	$ (12,725,000)	$ (26,784,000)	$ (32,789,000)
Present Value (PV)	**$ (13,270,000)**	**$ (9,974,000)**	**$ (20,994,000)**	**$ (26,585,000)**
PV per unit	$ (30,300)	$ (44,700)	$ (94,100)	$ (100,400)
PV psf	$ (39)	$ (53)	$ (112)	$ (106)
Inclusionary Zoning Scenarios				
Sensitivity 3 - Market Purpose-Built Rental with 10% Affordable Rental at 80% of AMR for 25 Years				
Market Units:	394	201	201	238
Affordable Units:	44	22	22	26
Set Aside Rate:	10%	10%	10%	10%
Future Value (FV)	$ (25,253,000)	$ (15,884,000)	$ (28,993,000)	$ (34,870,000)
Present Value (PV)	**$ (19,135,000)**	**$ (12,450,000)**	**$ (22,725,000)**	**$ (28,273,000)**
PV per unit	$ (43,700)	$ (55,800)	$ (101,800)	$ (106,700)
PV psf	$ (56)	$ (67)	$ (121)	$ (112)
# Impact on Land Value from Base Case:	**$ (5,865,000)**	**$ (2,476,000)**	**$ (1,731,000)**	**$ (1,688,000)**
% Impact on Land Value from Base Case:	**-44.2%**	**-24.8%**	**-8.2%**	**-6.3%**

Table 22: Residual Land Value Analysis Summary - Purpose-Built Rental Results

Residual Land Value Analysis Summary - Purpose-Built Rental Results				
Scenario	**Downtown**	**Inner/Outer Urban - HIGH**	**Inner/Outer Urban - LOW**	**Suburban**
Gross Floor Area (sf):	342,335	187,098	187,098	251,628
Building Height:	55	30	30	6
Total Number of Units:	438	223	223	265
Base Case - 100% Market Purpose-Built Rental				
Future Value (FV)	$ (17,513,000)	$ (12,725,000)	$ (26,784,000)	$ (32,789,000)
Present Value (PV)	**$ (13,270,000)**	**$ (9,974,000)**	**$ (20,994,000)**	**$ (26,585,000)**
PV per unit	$ (30,300)	$ (44,700)	$ (94,100)	$ (100,400)
PV psf	$ (39)	$ (53)	$ (112)	$ (106)
Inclusionary Zoning Scenarios				
Sensitivity 4 - Market Purpose-Built Rental with 10% Affordable Rental at 100% of AMR for 25 Years				
Market Units:	394	201	201	238
Affordable Units:	44	22	22	26
Set Aside Rate:	10%	10%	10%	10%
Future Value (FV)	$ (24,449,000)	$ (15,384,000)	$ (28,489,000)	$ (34,268,000)
Present Value (PV)	**$ (18,526,000)**	**$ (12,059,000)**	**$ (22,331,000)**	**$ (27,784,000)**
PV per unit	$ (42,300)	$ (54,000)	$ (100,000)	$ (104,900)
PV psf	$ (54)	$ (64)	$ (119)	$ (110)
# Impact on Land Value from Base Case:	**$ (5,256,000)**	**$ (2,085,000)**	**$ (1,337,000)**	**$ (1,199,000)**
% Impact on Land Value from Base Case:	**-39.6%**	**-20.9%**	**-6.4%**	**-4.5%**

Table 23: Residual Land Value Analysis Summary - Purpose-Built Rental Results (Forward-Looking Optimistic Scenario)

Residual Land Value Analysis Summary - Purpose-Built Rental Results (Forward-Looking Optimistic Scenario)				
Scenario	**Downtown**	**Inner/Outer Urban - HIGH**	**Inner/Outer Urban - LOW**	**Suburban**
Gross Floor Area (sf):	342,335	187,098	187,098	251,628
Building Height:	55	30	30	6
Total Number of Units:	438	223	223	265
Base Case - 100% Market Purpose-Built Rental				
Future Value (FV)	$ 27,131,000	$ 9,700,000	$ (5,414,000)	$ (6,253,000)
Present Value (PV)	**$ 20,559,000**	**$ 7,603,000**	**$ (4,243,000)**	**$ (5,070,000)**
PV per unit	$ 47,000	$ 34,100	$ (19,000)	$ (19,100)
PV psf	$ 60	$ 41	$ (23)	$ (20)
Inclusionary Zoning Scenarios - Forward Looking Context				
Sensitivity 5 - Market Purpose-Built Rental with 5% Affordable Rental at 80% of AMR for 25 Years and Optimistic Assumptions				
Market Units:	416	212	212	252
Affordable Units:	22	11	11	13
Set Aside Rate:	5%	5%	5%	5%
Future Value (FV)	$ 23,409,000	$ 8,153,000	$ (6,761,000)	$ (7,608,000)
Present Value (PV)	**$ 17,738,000**	**$ 6,391,000**	**$ (5,300,000)**	**$ (6,168,000)**
PV per unit	$ 40,500	$ 28,600	$ (23,700)	$ (23,300)
PV psf	$ 52	$ 34	$ (28)	$ (25)
# Impact on Land Value from Base Case:	**$ (2,821,000)**	**$ (1,212,000)**	**$ (1,057,000)**	**$ (1,098,000)**
% Impact on Land Value from Base Case:	**-13.7%**	**-15.9%**	**-24.9%**	**-21.7%**

Table 24: Residual Land Value Analysis Summary - Purpose-Built Rental Results (Forward-Looking Optimistic Scenario)

Residual Land Value Analysis Summary - Purpose-Built Rental Results (Forward-Looking Optimistic Scenario)				
Scenario	**Downtown**	**Inner/Outer Urban - HIGH**	**Inner/Outer Urban - LOW**	**Suburban**
Gross Floor Area (sf):	342,335	187,098	187,098	251,628
Building Height:	55	30	30	6
Total Number of Units:	438	223	223	265
Base Case - 100% Market Purpose-Built Rental				
Future Value (FV)	$ 27,131,000	$ 9,700,000	$ (5,414,000)	$ (6,253,000)
Present Value (PV)	**$ 20,559,000**	**$ 7,603,000**	**$ (4,243,000)**	**$ (5,070,000)**
PV per unit	$ 47,000	$ 34,100	$ (19,000)	$ (19,100)
PV psf	$ 60	$ 41	$ (23)	$ (20)
Inclusionary Zoning Scenarios - Forward Looking Context				
Sensitivity 6 - Market Purpose-Built Rental with 5% Affordable Rental at 100% of AMR for 25 Years and Optimistic Assumptions				
Market Units:	416	212	212	252
Affordable Units:	22	11	11	13
Set Aside Rate:	5%	5%	5%	5%
Future Value (FV)	$ 23,797,000	$ 8,394,000	$ (6,480,000)	$ (7,271,000)
Present Value (PV)	**$ 18,032,000**	**$ 6,580,000**	**$ (5,079,000)**	**$ (5,895,000)**
PV per unit	$ 41,200	$ 29,500	$ (22,800)	$ (22,300)
PV psf	$ 53	$ 35	$ (27)	$ (23)
# Impact on Land Value from Base Case:	**$ (2,527,000)**	**$ (1,023,000)**	**$ (836,000)**	**$ (825,000)**
% Impact on Land Value from Base Case:	**-12.3%**	**-13.5%**	**-19.7%**	**-16.3%**