

**Subject: Inclusionary Zoning Policy and Regulatory Framework - Official Plan
Amendment and Zoning Bylaw Amendments**

File Number: ACS2026-SI-CCR-0005

**Report to Planning and Housing Committee on 1 April 2026
and Council 8 April 2026**

Submitted on March 23, 2026 by Lily Xu, Director, Strategic Initiatives

Contact Person: David Wise, Program Manager, Strategic Initiatives

613-580-2424 x 13877 david.wise@ottawa.ca

Ward: Citywide

**Objet : Politique de zonage d'inclusion et cadre réglementaire —
Modification du Plan officiel et du *Règlement de zonage***

Numéro de dossier : ACS2026-SI-CCR-0005

**Rapport présenté au Comité de la planification et du logement le 1er avril 2026
et au Conseil le 8 avril 2026**

Soumis le 23 mars 2026 par Lily Xu, directrice, Initiatives stratégiques

**Personne ressource : David Wise, gestionnaire de programme, Initiatives
stratégiques**

613-580-2424 x 13877 david.wise@ottawa.ca

Quartier : À l'échelle de la ville

REPORT RECOMMENDATION(S)

That Planning and Housing Committee recommend Council:

- 1. Approve the Official Plan Amendment detailed in Document 1 and the Zoning By-law Amendment detailed in Documents 2, 3 and 4 to establish and authorize the use of Inclusionary Zoning with a city-wide zero (0) per cent set-aside rate, pending future re-assessment for feasibility and need; and**

2. **Direct Staff to initiate work to develop the Inclusionary Zoning Implementation Guidelines, administrative processes and triggers for assessment of future feasibility and housing need to support a change to required set-aside rates and report back to this Committee by Q2 2027; and**
3. **Direct Staff to initiate the housing market assessment and peer review as required by O.Reg. 232/18 in conjunction with an updated housing needs analysis and report back to Committee on future adjustments to required set-aside rates by no later than Q2 2028; and**
4. **Direct Staff to assess and develop further financial and/or regulatory incentives including leveraging of housing funds from senior levels of government to provide the basis and support for a voluntary inclusionary zoning supplement to encourage provision of increased depth of affordability and/or increased proportion of inclusionary units above the minimum baseline requirements.**

RECOMMANDATIONS DU RAPPORT

Que le Comité de la planification et du logement recommande au Conseil :

1. **D'approuver la modification du Plan officiel décrite dans le document 1 et la modification du *Règlement de zonage* décrite dans les documents 2, 3 et 4 afin d'instaurer et d'autoriser le recours au zonage d'inclusion avec un taux de réservation de zéro (0) pour cent à l'échelle de la Ville, sous réserve d'une réévaluation future de la faisabilité et des besoins ; et**
2. **Enjoint au personnel d'entamer les travaux visant à élaborer les lignes directrices relatives à la mise en œuvre du zonage d'inclusion, les processus administratifs et les critères de déclenchement pour l'évaluation de la faisabilité future et des besoins en matière de logements afin de soutenir une modification des taux de réservation obligatoires et de faire rapport au comité d'ici le deuxième trimestre de 2027 ; et**
3. **Enjoint au personnel soit chargé de lancer l'évaluation du marché du logement et l'examen par les pairs, comme l'exige le *Règlement de***

l'Ontario 232/18, de concert avec une analyse actualisée des besoins en matière de logements et de faire rapport au comité sur les ajustements futurs des taux de réservation obligatoires au plus tard au deuxième trimestre de 2028 ; et

- 4. Enjoint au personnel soit chargé d'évaluer et de définir d'autres mesures incitatives financières ou réglementaires, y compris le recours aux fonds pour le logement provenant des échelons supérieurs du gouvernement, afin de fournir la base et le soutien nécessaires à un supplément de zonage d'inclusion volontaire visant à accroître l'accessibilité financière ou la proportion de logements inclusifs au-delà des exigences de référence minimales.**

EXECUTIVE SUMMARY

Inclusionary Zoning (IZ) is a land use tool that requires new residential developments to include affordable housing units near major transit stations. IZ is targeted towards moderate-income households, earning between the 4th to 6th decile of household income in either a rental or ownership context. It is not sufficient on its own to provide affordable housing for low-income households but can help deepen affordability for everyone by increasing housing diversity in the market.

The program directly affects the economic calculations that lie behind any housing project, by requiring new development to sell or rent a portion of units at a reduced cost to meet affordability thresholds. As a mandatory baseline requirement, developers must provide these units as specified or they will not meet the legal requirements needed to receive approval to move forward with their development.

The Housing Market Assessment prepared by Dillon & N. Barry Lyon Consultants in mid-2025 indicates that IZ as a short-term policy direction to increase social and housing equity near transit is not economically feasible under current market conditions and may be counterproductive to incenting housing development. The report recommends a longer-term view towards advancing social and housing equity within transit-oriented developments and taking the necessary steps now to ensure availability of IZ as a potential tool when the market achieves greater stability.

Staff therefore recommend implementing a regulatory framework for Inclusionary Zoning via amendments to the Official Plan and Zoning By-law, with the mandatory requirement set to zero (0) per cent. This would allow flexibility for the City to activate Inclusionary Zoning when and where required when market conditions improve, subject

to future reassessment for feasibility and housing need.

Staff further recommend that following approval of the regulatory framework, work commence to prepare detailed IZ Implementation Guidelines and make the necessary process changes for ongoing administration of this housing program. Further, staff recommend that a future re-assessment of housing economic and equity conditions occur two years after approval of this report ahead of the provincially-required 5-year housing market assessment in order to provide Council with opportunity to re-evaluate the mandatory set-aside rates, alongside an assessment of the impact of current incentives and evaluation of additional incentives to support going beyond the minimum baseline requirements of IZ.

Finally, staff recommend continued engagement with MMAH, and with market and non-profit housing industry partners to maintain constructive dialogue for the continued improvement of IZ and exploration of further incentives and offsets as both a mandatory and voluntary tool to secure affordable housing while maintaining development feasibility.

RÉSUMÉ

Le zonage d'inclusion (ZI) est un outil d'aménagement du territoire qui impose aux promoteurs immobiliers résidentiels de prévoir des logements abordables à proximité des principales stations de transport en commun. Le ZI vise les ménages à revenus modestes, qui se situent entre le 4^e et le 6^e décile des revenus des ménages, qu'ils soient locataires ou propriétaires. À lui seul, le ZI ne suffit pas à fournir des logements abordables aux ménages à faibles revenus, mais il peut contribuer à améliorer l'abordabilité pour tous en renforçant la diversité de l'offre sur le marché immobilier.

Le programme a une incidence directe sur les calculs économiques qui sous-tendent tout projet résidentiel en exigeant que les promoteurs vendent ou louent une partie des logements à un coût réduit afin de respecter les seuils d'abordabilité. En tant qu'exigence de base obligatoire, ces logements doivent être fournis conformément aux exigences précisées, faute de quoi les promoteurs ne satisferont pas aux exigences légales nécessaires pour obtenir l'autorisation de poursuivre leur projet.

L'évaluation du marché du logement réalisée par Dillon & N. Barry Lyon Consultants au milieu de l'année 2025 indique que le ZI, en tant qu'orientation stratégique à court terme visant à améliorer l'équité tant sur le plan social que sur celui du logement à proximité des installations de transport en commun n'est pas économiquement viable dans les conditions actuelles du marché et pourrait avoir un effet contre-productif sur la

construction de logements. Le rapport recommande d'adopter une vision à plus long terme pour accroître l'équité sur les plans social et du logement dans le cadre des aménagements axés sur le transport en commun et de prendre dès maintenant les mesures nécessaires pour faire en sorte que le zonage d'inclusion puisse être utilisé lorsque le marché aura atteint une plus grande stabilité.

Le personnel recommande donc de mettre en œuvre un cadre réglementaire pour le zonage d'inclusion par l'apport de modifications au Plan officiel et au *Règlement de zonage* en fixant l'exigence obligatoire à zéro (0) pour cent. La Ville disposerait ainsi de la marge de manœuvre nécessaire pour activer le zonage d'inclusion au moment et à l'endroit où il le faudra lorsque les conditions du marché s'amélioreront, sous réserve d'une réévaluation future de la faisabilité et des besoins en matière de logements.

Le personnel recommande en outre que, après l'approbation du cadre réglementaire, l'élaboration de lignes directrices détaillées pour la mise en œuvre du zonage d'inclusion soit lancée et que les modifications nécessaires soient apportées aux processus pour la gestion continue de ce programme de logement. En outre, le personnel recommande qu'une réévaluation des conditions économiques et d'équité en matière de logement ait lieu deux ans après l'approbation du présent rapport, avant l'évaluation quinquennale du marché du logement exigée par le gouvernement provincial, afin de donner au Conseil la possibilité de réévaluer les taux de réservation obligatoires, parallèlement à une analyse de l'incidence des mesures incitatives actuelles et à l'évaluation de mesures incitatives supplémentaires visant à aller au-delà des exigences de base minimales relatives au zonage d'inclusion.

Enfin, le personnel recommande de poursuivre la collaboration avec le MAML ainsi qu'avec les partenaires du secteur du logement commercial et sans but lucratif afin de maintenir un dialogue constructif pour l'amélioration continue du ZI et l'exploration de nouvelles mesures incitatives et compensatoires, à la fois comme outils obligatoires et facultatifs, pour garantir l'offre de logements abordables tout en préservant la viabilité des projets.

BACKGROUND

Inclusionary Zoning (IZ) is a legislated tool under the *Planning Act* that permits municipalities to require affordable units in market developments as a mandatory requirement. In Ontario, inclusionary zoning is only permitted to apply in Protected Major Transit Station Areas (PMTSAs) and community planning permit areas and is subject to Ontario Regulation 232/18 under the Act which specifies how inclusionary zoning may occur.

Ottawa's Official Plan, effective November 4, 2022, designates 26 PMTSAs in the Downtown, Inner/Outer Urban, and Suburban transects. IZ is supportive of Goal 1.2 (increase the supply of community housing) as described in the refreshed 10-Year Housing and Homelessness Plan presented to Council this year and the Term of Council Strategic Priority "A City that has affordable housing and is more liveable for all". IZ is also included within Initiative 1 of the signed HAF agreement with Canada Mortgage and Housing Corporation (CMHC) with completion of the Market Assessment Report and Implementation as milestones, where IZ contributes to the overall affordability target.

The City's journey on Inclusionary Zoning dates back to 2019 when the City began preliminary steps during the creation of the New Official Plan. These steps flowed from recommendations in the 2020 Ten-Year Housing and Homelessness Plan, which viewed Inclusionary Zoning as a priority tool for increasing housing equity near transit.

In June 2022 staff provided an update to Council ([ACS2022-PIE-EDP-0013](#)) on the status of inclusionary zoning. Staff received direction to consider various inclusionary zoning scenarios and to move ahead with creating the policy framework for implementation.

In November 2022 in conjunction with the Bill 23, More Homes, Built Faster Act, the Province released a proposed update to the provincial regulation which substantially modified the rules by which municipalities could implement this program. As a result of the significant policy and market uncertainties at play, further development of IZ was placed on hold.

The Provincial government issued the final amendments to Ontario Regulation 232/18 on May 12, 2025 setting the maximum set aside to 5 per cent and limiting the maximum affordability period to 25 years. The revised regulation allows harmonizing inclusionary units with affordable unit exemptions to development charges, parkland contributions and community benefit charges as provided in the Development Charges Act and

Planning Act, and consistent with the definition of affordability in the Provincial Planning Statement. With the regulation finalized, staff were able to complete the required housing market assessment report and advance the Official Plan and Zoning By-law framework necessary to authorize the use of Inclusionary zoning in Ottawa.

DISCUSSION

Inclusionary Zoning (IZ) is a land use tool that requires new residential developments to include affordable housing units near major transit stations. While no single policy can solve all the City's housing challenges, IZ represents one of many available tools that can help with affordability and housing equity as Ottawa grows.

IZ requires the involvement of multiple City departments including Housing Services, Planning, and Legal, in coordination with developers and housing providers. Making the program work as a functional tool to provide affordable housing requires several steps – setting the right rates for the economic conditions, ensuring the agreements are in place, linking residents to new homes, and ensuring the program works effectively as planned over the long term. The key agents involved in making IZ happen are:

- For-Profit Developers: New projects would be obligated to provide IZ units
- Non-Profit Providers: non-profit housing providers may manage or acquire the affordable units and help match residents to units
- The City of Ottawa: The City creates the policy and zoning framework, as well as the ongoing administration and compliance monitoring of the program

Defining Affordability

IZ is targeted towards moderate-income households, meaning those earning between the 4th to 6th decile of household income in either a rental or ownership context. It is not aimed towards low-income households but can help deepen affordability for everyone by increasing housing diversity in the market. It can be thought of as providing a “bridge” between market housing and affordable housing - but it is not intended to provide deep levels of affordability to replace below-market and supportive housing.

The degree to which Inclusionary Zoning can help moderate income earners (both ownership and rental) is related to the depth of affordability required and the difference between what a unit would have cost under market conditions and what the unit is priced at under Inclusionary Zoning. Staff are recommending aligning IZ with the provincial definition of affordability calculated as the lesser of the Average Market Rent

(or 90 per cent of the Average Purchase Price) OR the reasonable housing and shelter costs that can be borne by a household at the 6th decile of household income in the City.

The Provincial definition applies to market tenure for rental and ownership units and aligns with the new income-based municipal affordability definition for rental units - but also provides a test for average market purchase and lease affordability for ownership units in addition to rental.

This also aligns with provincial affordability exemptions and incentives within the *Planning Act* and *Development Charges Act*. Provincial law provides exemptions to development charges, parkland contribution, and community benefits charges for qualifying affordable and inclusionary zoning units.

Table 1 provides how the Provincial Affordability Bulletin provides a two-test path. The Average Market Purchase Price is discounted to 90 per cent as the market-based affordability test, while the actual income-based capacity for a household to secure housing is also tested. In the case of an ownership condominium unit, 90 per cent of the Average Purchase Price is lower than the income-based test, and so the market-based price would be the baseline for inclusionary units.

Table 1: Provincial Affordability Thresholds for Ownership Units

Unit Type	Average Purchase Price (APP)	90% of APP	Affordable PP for 4-6 th decile
Detached	\$900,000	\$810,000	\$447,400
Semi-Detached	\$740,000	\$666,000	\$447,400
Row/Town	\$570,000	\$513,000	\$447,400
Condominium Apartment	\$490,000	\$441,000	\$441,000**
Max income-based affordable purchase *			\$447,400
* 30% of gross income at 6th decile			
** For condo apartments 90% APP is the lesser between the income-based and market-based tests			

Source: "Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin" as updated September 2025

In Table 2, the same "lesser-of" test applies for rental affordability. In this case, the average market rent for per-bedroom units is lower than income-based rental capacity test at the 6th decile, and so the baseline affordability threshold for an inclusionary unit is

set at the average market rent rate for apartments with 2 bedroom or less, but remains income-based for apartments with 3 or more bedrooms.

Table 2: Provincial Affordability Thresholds for Ownership Units

Unit Type	Average Market Rent (AMR)	Affordable Rent
Bachelor/Studio	\$1,252	\$1,252
1-Bedroom	\$1,526	\$1,526
2-Bedroom	\$1,896	\$1,896
3 or more-Bedroom	\$2,191	\$2,191
Max income-based affordable rent *		\$2,191
* 30% of gross income at 6th decile		

Source: "Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin" as updated September 2025

As these numbers vary between cities and within municipal sub-market areas, these [calculations](#)¹ are updated annually by the Province using data sourced from Statistics Canada and Canada Mortgage and Housing Corporation.

Any affordable unit to which provincial exemptions apply must be tied to agreements for them to remain affordable for 25 years. Units must also be sold or rented at arm's length basis. The same criteria applies to inclusionary units – meaning if a developer can qualify for these exemptions in the affordable category, they will automatically qualify in the inclusionary unit category as well. Process-wise that also means one agreement could cover both kinds of units – whether they be mandatory (through IZ) or voluntary contributions.

Housing Market Assessment Report

Inclusionary Zoning reduces the sale or rental price for a portion of new units provided in a market building. This has the public benefit of expanding who can afford to live there, but it comes at a cost. Financial feasibility is at the heart of any IZ effort as a mandatory requirement to make units affordable is of no practical use if no units are built at all. As such, the Province requires an independent assessment of financial viability along with a full peer review by a qualified firm to support any mandatory requirements.

Staff commissioned an Inclusionary Zoning Market Assessment Report from Dillon

¹ Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin (Updated Annually)

Consulting and N. Barry Lyon Consultants in conjunction with a Peer Review provided by UrbanMetrics, in accordance with Provincial requirements. This Assessment Report is attached as Document 7. The Peer Review is attached as Document 8.

Financial feasibility testing of development models is a requirement of the regulations, and central to the Market Assessment Report. Three high-density development prototypes were developed to test these economic impacts:

- 55-storey concrete in the Downtown
- 30-storey high-rise in the Inner/Outer Urban area and
- Six-storey wood-frame mid-rise in the Suburban transect

These potential development scenarios were then tested under “base case” (100 per cent market rate) and two IZ scenarios (5 per cent set-aside at income-based ownership or at 100 per cent of average market rent). A forward-looking sensitivity analysis applied moderate assumptions - lower interest rates, stabilized construction costs, partially waived development charges, and modest revenue growth - to gauge future feasibility.

The results of the above analysis demonstrated that Inclusionary Zoning has a frictional effect on development, resulting in unviable development under current market conditions. The key findings are as follows:

- Base-case land values for most market-rate scenarios are negative - costs plus profit exceed revenue - so adding Inclusionary Zoning without offsets further undermines viability.
- Rental projects show relatively stronger resilience than condos, thanks in part to federal/provincial rental-specific incentives and robust rental demand.
- In optimistic “forward-looking” conditions, modest positive land values emerge for rental and some condo cases but may still discourage development unless paired with incentives or increased density.

The findings indicate that under current market conditions, IZ as a policy direction to increase social and housing equity near transit would have the effect of further limiting creation of any units at all – market or affordable. Further, if not implemented with care, IZ could push development to geographic market areas not subject to IZ – an impact that would be counter to the growth and policy intent directions of the Official Plan.

The assessment report notes that while the immediate outlook for the implementation of

IZ policies is challenging, the City can take steps to position IZ as a long-term tool to secure more equitable housing outcomes in transit supportive development than might have otherwise been realized.

Public and Stakeholder Engagement

Consultation undertaken from July to November 2025 combined peer-municipal interviews (Toronto and Mississauga), public open houses delivered with the Ten-Year Housing and Homelessness Plan team, and targeted industry meetings with for-profit developers and non-profit housing providers.

Participants emphasized the importance of a transparent and consistent affordability definition. Development stakeholders cautioned that provincial thresholds can be too coarse to reflect local costs and market conditions, whereas non-profit partners generally supported standardized, provincial bulletin-based thresholds tied to incomes or Average Market Rents.

A recurring theme was clarity about who benefits and how affordability is calculated and maintained over time. Practically, municipal peers advised keeping administrative processes as simple and predictable as possible and providing for transition periods to avoid disrupting projects already in design or financing. Industry feedback underscored that IZ represents a revenue loss unless paired with offsets, recommending alignment with statutory exemptions (DC/CBC/parkland) and enabling “stacking” with other available municipal incentives (e.g., TIEGs) and approvals streamlining.

Policy 35.2(5)(a) of the *Planning Act* and Ontario Regulation 232/18(5) allows a developer to shift the obligation to provide required inclusionary units to another development site in proximity to the originating development, subject to City agreement and provided the receiving site is also in an area to which IZ applies. Both sectors supported allowing off-site provision in limited cases where it demonstrably improves outcomes (e.g., enabling a non-profit to achieve operational scale). The key feedback was to keep policies, rules and guidelines straightforward, focus on outcomes rather than prescriptive methods, pair IZ with incentives, and use clear market and equity triggers to time activation.

A Discussion paper that summarized the housing market assessment report and the proposed strategy was circulated in January 2026 to all stakeholders and parties expressing interest in the file. Comments were received from industry and the public.

Industry comments expressed some concern on whether this was an appropriate time

to be considering a new housing policy regulatory action and expressed concerns on limiting offsite unit provision to locations within the same Protected Hub as the originating development. Industry also requested the City consider allowing offsite units to locate outside of a PMTSA. Community groups raised concerns on whether the City was appropriately receiving fair return on value from the many regulatory, process and financial incentives provided over the past number of years to enable high-density development near transit and questioned how the City would ensure a timely re-assessment of housing conditions in the marketplace.

Further consultation as received after the Discussion Paper and through statutory circulation is included in Document 5.

Proposed Policy and Regulatory Framework

The proposed framework provides the context for the regulatory amendments to the Official Plan and Zoning By-law and identifies additional tools that will be required to fully implement Inclusionary Zoning as a permanent housing program and tool for securing affordable housing near transit. The proposed Official Plan amendment is provided as Document 1. The proposed Zoning By-law amendments are provided as Documents 2, 3 and 4 as amendments will need to be made to the current Zoning By-law 2008-250 and to the new Zoning By-law 2026-050.

Statutory elements to be embedded in Official Plan policy and the Zoning By-law are consistent with the required content identified in the *Planning Act* and O.Reg 232/18. This includes explicit authorization to allow Inclusionary Zoning to take effect within Protected Major Transit Station Areas, requires legal agreements to be registered on title to secure affordability obligations, and creates the structure for biennial public reporting on unit counts, types, locations, affordability depths, conversions, and any resale proceeds received.

A criteria evaluation table as prepared by Dillon Consulting is included as Document 8 to provide details on the specific connection between each proposed policy and regulation, and their statutory requirement in the *Planning Act* and O.Reg 232/18.

The by-laws are written to provide structure and guidance for any future council direction on establishing a baseline for mandatory affordability near transit and also to provide policy support for discretionary inclusionary unit contributions in a market development above the minimum baseline requirement.

Proposed Parameters

Staff recommend launching the framework with a uniform zero (0) per cent mandatory set-aside across all PMTSAs and aligning the depth of affordability with the Provincial income-based tests (and AMR benchmarks) as described in the Provincial Planning Statement and Development Charges Act. Doing this provides industry with clarity in harmonizing future mandatory inclusionary zoning requirements with statutory exemptions that are already in place – meaning cost impacts and potential offsets can be predicted and accounted for.

This also allow for harmonization with other current and future initiatives that take an income-based approach in determining affordability, consistent with the recently proposed Unified Affordable Definition in the revised 10 Year Housing and Homelessness Plan – while also capturing ownership market development in addition to rental market development.

A 25-year affordability term is proposed. IZ would apply to both rental and ownership developments, and the types and mix of units (bedrooms, quality of finish etc.) for the provided inclusionary units would be proportional to those units provided in the remainder of the building. Off-site delivery could be permitted at the City's discretion where an improved housing outcome is demonstrated, with detailed criteria (e.g., proximity, timing triggers, and minimum scale of development) set out in Implementation Guidelines.

As a key distinction from other cities, staff propose allowing offsite delivery to potentially occur through third-party agreements as part of Site Plan approval and incorporated within that agreement process, rather than requiring additional complex process steps involving transfers of zoning rights between sites. This is a deliberate strategy to encourage the leveraging of inclusionary zoning units between developments in partnership with housing providers to maximize housing outcomes and achieve the kinds of economies of scale that the baseline requirement may not create on a project basis. This agreement framework sets Ottawa apart from other IZ offsite solutions across the Province and is intended to provide flexibility in getting to the desired outcome, rather than prescribing the solution.

Staff received feedback from the non-profit sector and from industry that restricting offsite unit delivery to a single PMTSA, given development volumes, may limit opportunity for housing providers to “stack” required units from multiple developments to achieve greater feasibility for a purpose-built affordable building, and limit creative

partnerships between market and non-profit providers to supply affordable units at or above the baseline requirement.

In response, the offsite provisions included in this report have been adjusted to allow offsite units to be combined with other units in PMTSAs within the same sub-geographic area as identified in the B-series schedules of the Official Plan. Per provincial regulation, any offsite unit must be located on lands to which inclusionary zoning applies, therefore allowing offsite units to locate outside of a PMTSA would not meet provincial requirements.

There are economies of scale that must be recognised – both for the development supplying the IZ unit, and any potential managing agency (whether that is the developer itself, or a third party). To secure a meaningful minimum of whole affordable units while staying within the 5 per cent cap, staff propose IZ apply to larger developments with at least 80 units or 6,000 m² residential GFA; this dual threshold also captures large-floorplate, lower-unit-count buildings.

For ownership units, staff propose up to 50 per cent net proceeds from any resale flow back to the City when an affordable unit is sold at market after the 25-year term. Resale during the affordability term would be governed by restrictive covenants ensuring sales only to income-eligible households.

The 50 per cent net proceeds policy is intended to forestall a “windfall” effect at the end of the affordability term when the gap between affordability and market value could become significant. A methodology for how this obligation will be closed out after end of term is included within the scope of work for the implementation guidelines and will be developed in coordination with MMAH and industry.

Market clarity and predictability is important for reducing the risks associated with any new municipal policy. Staff propose that any future implementation of set-aside rates be supported by market analysis to determine feasibility, and equity analysis to assess housing need. Future changes to these rates would include up to a two-year transition period aligned with the biennial reporting cadence. Staff propose to work with industry and non-profit providers to further refine these tests as part of the IZ guidelines development.

Finally, a monitoring framework is proposed to track market indicators and housing-need metrics on a two-year cycle to inform adjustments and potential activation. This is a provincial requirement in addition to the 5-year housing assessment reporting cycle and will become a statutory obligation that staff must respond to. As

such there will be ongoing resource implications. Given the instability of the housing market over the past several years, staff do not advise waiting the full five-year period for the next housing assessment and recommend that a full market assessment report occur two years from the date of passage of these by-laws.

Program Delivery

The Official Plan Amendment and Zoning By-law Amendment are critical steps towards the enactment of an inclusionary zoning program. Full implementation will require the development of new legal instruments, processes and resourcing to bring the program into operation and to ensure its ongoing administration as a tool within the City's affordable housing delivery program.

Staff recommend detailed implementation guidelines be developed to provide clear guidance for staff, the development industry and future inclusionary unit owners in understanding how the program is to operate, what the legal and administrative requirements are, and to provide further details of any other contractual requirements.

The development of these guidelines will also include legal conditions and instruments on title to secure these units through development review and throughout the term of affordability for the unit. As noted above, the development of these guidelines will also include the methodology for aligning housing need with housing feasibility.

A resourcing plan will also be developed to identify operational needs, including any FTE, technology or resourcing requirements with a staffing or capital implication. These implementation mechanisms will be required by provincial law before any inclusionary zoning units can be required through an increase in set-aside rates and will need to be approved by Council prior to or concurrent with the next update to the market assessment report.

IZ as one tool among many

The Inclusionary Zoning tool provides Council with a mechanism to establish a minimum baseline of affordability and housing equity near transit, which future Councils can activate as necessary subject to feasibility and need.

Staff anticipate that the housing market will come out of this downturn, and the objective is to ensure Council has the IZ tool available and ready to use for when it does. Further, the combination of municipal, provincial and federal incentives collectively can combine with a more confident housing market and lead to better affordability outcomes and may support a mix of mandatory and voluntary contributions to affordable housing. This will

require further testing and calibration of incentives and offsets – and how these affect development feasibility. The policy framework proposed here is supportive of this. Table 3 below provides a snapshot of the incentives and offsets framework that exists today, with some programs sunsetting and new programs coming online.

Future market and need assessments will capture the cumulative impact and “stacking effect” of all these programs to better inform Council’s decisions on when to enact the Inclusionary Zoning mandatory requirements enabled by this framework.

Table 3: Incentives and Offsets Available for Affordable and Market Housing

	Incentives & Offsets for Affordable Units	Incentives & Offsets for All Housing Units
FEDERAL		
Financial	<ul style="list-style-type: none"> • Affordable Housing Fund - CLOSED • Rapid Housing Initiative – CLOSED • FCM Capital – CLOSED • Housing Accelerator Fund – CLOSED • Federal Lands Initiative 	<ul style="list-style-type: none"> • Apartment Construction Loan Program (purpose-built rental w/affordability) • GST Exemption (purpose-built rental) • Accelerated Capital Cost Allowance (purpose-built rental) • MLI-Select (purpose-built rental w/ affordability)
PROVINCIAL		
Financial	<ul style="list-style-type: none"> • Development Charge Exemption (market and non-profit) • Community Benefits Charge Exemption (market and non-profit) • Parkland Contribution Exemption (market and non-profit) • OPHI (non-profit only) 	<ul style="list-style-type: none"> • Provincial portion of HST exemption (purpose-built rental) • DC reduction of 25% for all rental units with three or more bedrooms • DC reduction of 20% for all rental units with two bedrooms • DC reduction of 15% for all rental units with one or fewer bedrooms
MUNICIPAL		
Financial	<ul style="list-style-type: none"> • AHCIP Tax Grant Program • Municipal Housing Facilities By-law (non-profit only) 	<ul style="list-style-type: none"> • Defer DC payment to occupancy • Defer CILP payment to occupancy • Cap CILP to 10% in hubs

	<ul style="list-style-type: none"> • Affordable Rental Housing tax sub-class (not yet in effect) • Action Ottawa (non-profit focus) • Municipal Land Strategy for Affordable Housing 	<ul style="list-style-type: none"> • CBC charge reduced to 1% in MTSAs
Process	<ul style="list-style-type: none"> • High Social Impact Program (HSIP) Program (non-profit focus) • DRAW Priority Review (non-profit focus) 	<ul style="list-style-type: none"> • New Zoning By-law approval • Development Process changes • Removal of development studies • Removal of minimum parking

FINANCIAL IMPLICATIONS

There are no direct financial implications associated with this report at this time. Any additional costs related to program implementation and monitoring will be funded through the Housing Accelerator Fund (HAF).

Approval of this Official Plan Amendment and Zoning By-law Amendments is required for Milestone 5 of the Housing Accelerator Fund (HAF). Refusal of the amendments may affect future payments from Canada Mortgage and Housing Corporation (CMHC) related to the Housing Accelerator Fund (HAF). Refer to the Risk Management Implications section for additional details.

LEGAL IMPLICATIONS

Other than by the Minister of Municipal Affairs and Housing, there is no right of appeal of Official Plan policies authorizing inclusionary zoning nor of provisions in a zoning by-law in respect of inclusionary zoning.

COMMENTS BY THE WARD COUNCILLOR(S)

These amendments apply City-wide to all lands previously designated by Council as a “Protected Major Transit Station Area” as described on Schedule C-1 of the Official Plan.

ADVISORY COMMITTEE(S) COMMENTS

Not applicable.

CONSULTATION

The Council “Public Notification and Consultation Policy” has been applied for this city-wide policy and regulatory change.

Initial consultation and feedback from non-profit and industry representatives formed part of the scope of work for the Housing Market Assessment to validate assumptions and understand current Ottawa housing market conditions. Consultation was undertaken from September to November 2025 combined peer-municipal interviews (Toronto and Mississauga), public open houses delivered alongside the Ten-Year Housing and Homelessness Plan team, and targeted industry meetings with for-profit developers and non-profit housing providers to assist with policy and regulatory formulation. Focused meetings have been held with the Ministry of Municipal Affairs, GOHBA and FCA representatives.

Public notification per Council Policy has included the creation of an “Inclusionary Zoning” website containing information and key documents for public review, and distribution of a Discussion Paper circulated to all interested stakeholders including housing advocacy groups, non-profit housing providers, market developers, community groups and members of the public. A technical circulation with details of the proposed amendments was provided to all community associations, industry and housing providers in February with comments due by March 17th in conformance with Council policy and statutory requirements.

ACCESSIBILITY IMPACTS

All actions under the Inclusionary Zoning Policy and Regulatory Framework will follow the City of Ottawa’s legislated requirements of the Integrated Accessibility Standards Regulation O. Reg. 191/11 of the Accessibility for Ontarians with Disabilities Act, 2005, as well as meet the City of Ottawa Accessibility Design Standards (ADS) to the greatest extent possible. As the Inclusionary Zoning Implementation Guidelines are developed, staff will consider an implementation strategy that meets the objectives of these standards in consultation with the Accessibility Office, and other considerations that require an accessibility lens, as well as consult with the City’s Accessibility Advisory Committee, as required.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications.

CLIMATE IMPLICATIONS

Not applicable. No new development rights are provided by these amendments.

DELEGATION OF AUTHORITY IMPLICATIONS

No changes are currently recommended. Staff will report back to Council with administrative and procedural changes as necessary to implement this program.

ECONOMIC IMPLICATIONS

Ensuring a balanced mix of housing that includes affordable options near transit is supportive of a balanced approach towards housing supply as identified by the Official Plan and in support of Priority 4 of Ottawa's Economic Development Strategy to strengthen Ottawa's ability to attract, develop and retain a diverse workforce that meets current and future employment needs. That mix of housing supply near transit must include a diversity of supply and housing options at different levels of market-based and affordable levels, so there is choice in the market for households to meet their needs and help ensure a competitive workforce can find quality housing options.

ENVIRONMENTAL IMPLICATIONS

Increased density near transit is supportive of the Official Plan intent to achieve the majority of growth via intensification than by greenfield development. Supporting active transportation and transit is crucial to creating a healthier and more equitable and inclusive city, where anyone can get to work, to school and to daily activities without needing a car. Ensuring that provided housing near transit is also balanced across socio-economic households also supports those environmental objectives by helping to ensure that moderate income earners can also leverage transit for daily work/life journeys.

INDIGENOUS, GENDER AND EQUITY IMPLICATIONS

The policy framework has been developed consistent with Policy 2.2.1 (Intensification and Diversifying Housing Options) of the Official Plan, and is proposed as an amendment within Section 4.2 (Housing) of the Official Plan to facilitate a diversity of housing options for Ottawa residents from across the socio-economic spectrum in both private ownership and rental, and in support of the goals and objectives of the 10 Year Housing and Homelessness Plan.

RISK MANAGEMENT IMPLICATIONS

The outcome of this report is to provide the policy and regulatory framework for future use of Inclusionary Zoning as a mechanism to require provision of affordable units near transit. Consistent with s.16(24.12), s.34(11.0.6), and s.34(19.3) of the *Planning Act* there is no appeal of policies or by-laws that bring inclusionary zoning into effect.

The Province amended Ontario Regulation 232/18 on January 29, 2026 to suspend the implementation of inclusionary zoning in Toronto, Mississauga and Kitchener. These are the only three cities in Ontario that had enacted and were implementing (or about to implement) inclusionary zoning. Staff have consulted with MMAH throughout this project to ensure transparency and communication. The Province (Minister of Housing and staff at MMAH) are aware of the recommendation to move forward with the policy and regulatory changes with a zero (0) per cent set-aside. Staff have received feedback from MMAH staff noting that the Minister of Housing has been briefed on Ottawa's proposed path and may act to ensure alignment with provincial directions on facilitating and expediting housing delivery.

Inclusionary Zoning is identified within Initiative 1 (Transit-Oriented Zoning Amendments and Inclusionary Zoning) of the Housing Accelerator Fund with Milestone 5 consisting of "Inclusionary Zoning Adoption and Implementation" by end of Q1 2026. CMHC has confirmed that Council approval of the proposed Official Plan Amendments and Zoning By-law framework would meet milestone requirements.

RURAL IMPLICATIONS

Not applicable.

TECHNOLOGY IMPLICATIONS

Not applicable.

TERM OF COUNCIL PRIORITIES

[Term of Council Priorities:](#)

- A City that has affordable housing and is more liveable for all

This report aligns with the Strategic Priority "A City that has affordable housing and is more liveable for all" by providing Council with a new mechanism to increase housing diversity and equity near transit and expand the range of affordable housing options. When implemented, inclusionary zoning supports Objective 1 (Increase housing options

including below market and deeply affordable near transit, leverage City land and seek sustainable funding) and would provide below market affordable units near transit to meet varying household requirements.

SUPPORTING DOCUMENTATION

Document 1: Details of Recommended Official Plan Amendment

Document 2: Details of Recommended Zoning By-law Amendment to By-law No. 2008-250

Document 3: Details of Recommended Zoning By-law Amendment to By-law No. 2026-050

Document 4: Recommended Zoning Schedule

Document 5: Details of Consultation

Document 6: Housing Market Assessment, July 2025, NBLC

Document 7: Housing Market Assessment Peer Review, July 2025, UrbanMetrics

Document 8: Criteria Evaluation Table of Proposed Official Plan and Zoning By-law Amendment consistency with Provincial requirements, Dillon Consultants

DISPOSITION

The Planning, Development and Building Services Department will prepare implementing by-laws and forward it to Legal Services.

Legal Services, City Manager's Office to forward the implementing by-law to City Council.

Planning Operations, Planning Services to undertake the statutory notification.

Document 1 – Details of Recommended Official Plan Amendment

INDEX

THE STATEMENT OF COMPONENTS

PART A – THE PREAMBLE introduces the actual amendment but does not constitute part of Amendment No. XX to the Official Plan for the City of Ottawa.

PART B – THE AMENDMENT constitutes Amendment No. XX to the Official Plan for the City of Ottawa.

PART A – THE PREAMBLE

PURPOSE

LOCATION

BASIS

PART B – THE AMENDMENT

INTRODUCTION

DETAILS OF THE AMENDMENT

IMPLEMENTATION AND INTERPRETATION

SCHEDULE A OF AMENDMENT XX – OFFICIAL PLAN FOR THE CITY OF OTTAWA

SCHEDULE B OF AMENDMENT XX – OFFICIAL PLAN FOR THE CITY OF OTTAWA

PART A – THE PREAMBLE

1. Purpose

The purpose of this Official Plan Amendment is to authorize the use of Inclusionary Zoning within the City of Ottawa consistent with s.16(4) of the *Planning Act*.

2. Location

The amendment affects lands city-wide, with effect on lands designated as a Protected Major Transit Station Area consistent with s.16(5) of the *Planning Act*.

3. Basis & Background

Inclusionary Zoning is a planning tool permitted under s.16(4) of the *Planning Act* and subject to Ontario Regulation 232/18 to provide for a baseline minimum level of affordability in new development in designated transit areas. Council provided direction in 2022 to bring forward inclusionary zoning in support of the City's affordable housing targets. With finalization of the Provincial Regulation 232/18 in May 2025, staff have completed the required Market Assessment consistent and are proposing the accompanying Official Plan Amendment and Zoning By-law Amendment consistent with the requirements of the *Planning Act* and O.Reg 232/18.

4. Rationale

Inclusionary Zoning has been identified by Council as a planning instrument that can be used to support the City's strategic housing objectives and term of council priority to advance "a City that has more affordable housing and is more liveable for all." Specifically inclusionary zoning supports Objective 1 (Increase housing options including below market and deeply affordable near transit) and offers a mechanism by which the City can ensure below market affordable units are provided near transit consistent with household needs, in locations where such a requirement is feasible and can be accommodated by a market development.

This amendment (and accompanying Zoning By-law Amendment) provides the policy implementation necessary to allow the City to have the option of using inclusionary zoning subject to feasibility and demonstrated need as documented in a market housing assessment as required under O.Reg 232/18.

PART B – THE AMENDMENT

1. Introduction

All of this part of this document entitled Part B – The Amendment consisting of the following text constitutes Amendment No., XX to the Official Plan for the City of Ottawa.

2. Details

The following changes are hereby made to the Official Plan for the City of Ottawa;

1. Replace Section 4.2.5 with the following:

“4.2.5 Inclusionary Zoning

- 1) The City will establish by-laws, requirements, guidance and processes for residential development near transit to contribute inclusionary units in support of an equitable and diverse supply of affordable housing consistent with the goals of section 4.2 of this Plan and with the housing objectives as described in the 10 Year Housing and Homelessness Plan.
- 2) For the purposes of inclusionary zoning, an inclusionary unit is a dwelling unit that aligns with the definition of “affordable residential unit” as set out in the *Development Charges Act*, as amended.
- 3) The range of household incomes and the minimum depth of affordability for an inclusionary unit are those established by the *Development Charges Act*, so that:
 - a) For rental housing, the rent is affordable to renter households at or below the 60th percentile of the household income distribution; and
 - b) For ownership housing, the purchase price is affordable to all households at or below the 60th percentile of the household income distribution.
- 4) Inclusionary units shall remain affordable for a period of no less than 25 years, measured from the date of first residential occupancy of the unit.
- 5) A residential development will be required to provide inclusionary units subject to the provisions of the Zoning By-law where the development is located within a Protected Hub as shown on Schedule C1 and the B-series Schedule of this Plan; and
 - a) The total number of units within the residential development, including all buildings and phases on the site, is 80 units or more; or

- b) The total residential gross floor area of the development on the site is 6,000 square metres or more.
- 6) Notwithstanding Section 4.2.5 Policy (5), a development is exempt from inclusionary zoning where:
- a) The development meets the exemption criteria set forth in the Planning Act and applicable Provincial regulation; or
 - b) The development provides affordable housing units that meet or exceed set-aside rates as described in Table 5 of Section 4.2.5 Policy (7), meet or exceed the affordability term established in Section 4.2.5, Policy (4), and where such units are bound by a registered agreement.
- 7) The number of inclusionary units or portion of the total residential gross floor area to be set-aside as inclusionary units must be provided in accordance with Table 5 below:

Table 5: Inclusionary Zoning Set-Aside Rates

Metrics	Set-Aside Rates
Residential Units	Zero (0) per cent of total residential units
Residential Gross Floor Area	Zero (0) per cent of total residential gross floor area

- 8) The range of unit types and development standards for inclusionary units are as follows:
- a) Any unit type and unit size are permitted in accordance with the Zoning By-law;
 - b) The unit size and unit mix by number of bedrooms for required inclusionary units will be proportional to units provided elsewhere in the building;
 - c) The quality of finish and integration within the building will be the same as the non-inclusionary units to ensure no differentiation; and
 - d) Inclusionary units will be distributed across multiple floors of a building.
- 9) The City may establish incentives and measures to support the delivery of inclusionary units.
- 10) The City will receive 50% of the net proceeds from the first sale of the inclusionary ownership unit following the end date of the affordability term. Net Proceeds means the difference between the sale price of the inclusionary ownership unit at the time of the first transaction following the expiry of the affordability term and the original purchase price, adjusted for transactional costs as deemed appropriate by the City, and as detailed in the Inclusionary Zoning Guidelines.

- 11) The City may consider offsite delivery or consolidation of required inclusionary units where:
 - a) An improved housing outcome will result, including but not limited to an increase in the number of affordable units provided or deeper levels of affordability;
 - b) The location of the receiving development is within the same Protected Hub as shown on Schedule C1 or within a Protected Hub on the same numbered B-series Schedule of this Plan;
 - c) Offsite units are ready for occupancy within two years of the date of occupancy for the originating development; and
 - d) the obligation to provide inclusionary units from an originating development to the receiving development is ensured through:
 - i) A Zoning By-law Amendment; or
 - ii) A binding and secured agreement; and
 - e) The units provided offsite are additional to, and do not satisfy, inclusionary zoning requirements or other affordable housing requirements that may otherwise apply to the receiving development.
- 12) The City will develop Inclusionary Zoning Guidelines to provide details and guidance on the implementation, execution, and ongoing administration of inclusionary units, including compliance, reporting and monitoring of agreements.
- 13) The City will require a development to have a registered agreement on title for the inclusionary unit(s) which will include:
 - a) The start and end dates for the term of affordability;
 - b) Requirements to maintain defined affordability thresholds for any lease, sublease, purchase or re-sale throughout the term of affordability;
 - c) Requirements to distribute the net proceeds from the first sale of the unit following the end-date of the affordability term to the City for reinvestment in affordability programs;
 - d) Requirements for the provision of offsite units, where applicable; and
 - e) Any other matters as deemed appropriate by the City.
- 14) Monitoring, reporting and future amendments will be subject to the following:
 - a) The City will commission a full update to the Inclusionary Zoning Assessment Report within five years beginning from the coming into force of these policies;
 - b) Amendments to the set-aside rate and sub-categorization of those rates to specific geographies will be supported by the findings of the Inclusionary Zoning Assessment Report as updated from time-to-time, and the findings

- of a Housing Needs Assessment or similar study with focus on the trajectory of housing supply, diversity and equity near transit;
- c) The City will provide a biennial monitoring report to Council on the implementation of inclusionary zoning and will report on:
- i) The number, type, and location of affordable housing units;
 - ii) The range of household incomes for which affordable housing units were provided;
 - iii) The number of affordable housing units that were converted to market units at market value; and
 - iv) The proceeds that were received by the municipality from the sale of affordable housing units following end of the term of affordability.
- d) Biennial monitoring as outlined in subsection (c) will also include indicators to assess the health of the housing market and state of housing supply, diversity and equity near transit;
- e) Where an amendment to the set-aside rates occurs following the update of the Inclusionary Zoning Assessment Report, a transition period of up to two years will be provided prior to the new rate taking effect, starting from date of enactment of the amendment; and
- f) Notwithstanding 4.2.5, Policy 14(e), where an applicant has submitted a complete application for site plan approval, draft plan of subdivision approval, condominium approval, building permit or development permit, the set-aside rate will be frozen at the level on the date of application.”
2. Add the following to Section 13: Definitions

“Inclusionary Unit

Inclusionary Unit means a dwelling unit provided pursuant to Section 16(4) of the *Planning Act*, where the price or rent is aligned with the definition of an “Affordable Residential Unit” as set out in the *Development Charges Act*.”

3. Implementation and Interpretation

Implementation and interpretation of this Amendment shall be in accordance with the policies of the Official Plan for the City of Ottawa.

Document 2 – Details of Recommended Zoning to By-law 2008-250

The proposed change to the City of Ottawa Zoning By-law No. 2008-250 to implement Inclusionary Zoning:

1. Add a new Subsection to Part 5 – Residential Provisions as follows:

“X. Inclusionary Units

1. The following provisions apply to development on a lot located within the areas shown on Schedule YYY where new dwelling units are provided, pursuant to the Planning Act and associated regulations as amended.
2. For the purposes of this section;
 - a. an inclusionary unit is a dwelling unit that aligns with the definition of “affordable residential unit” as set out in the *Development Charges Act*, as amended.
 - b. total residential gross floor area refers to the gross floor area of all dwelling units within a development, not including common areas.
3. Any new development or redevelopment identified in (1) must provide inclusionary units where the total development on the lot:
 - b. contains 80 dwelling units or more; or
 - c. has a total residential gross floor area of 6,000 square metres or more.
4. Notwithstanding (3), a development is exempt from providing inclusionary units where:
 - a. The development contains fewer than 80 dwelling units or less than 6,000 square metres of total residential gross floor area; or
 - b. A building or part of a building is used for any of the following uses:
 - i. post-secondary educational institution;
 - ii. residential care facility;
 - iii. group home;
 - iv. shelter;
 - v. retirement home; or
 - c. The development is otherwise exempted by the *Planning Act* or associated regulations, as amended.
5. The number of inclusionary units to be provided will be calculated based on the number of dwelling units or total residential gross floor area in accordance with Table XX.

Table XX: Inclusionary Zoning Set-Aside Rates

Metrics	Set-Aside Rates
Residential Dwelling Units	Zero (0) per cent of total residential units
Residential Gross Floor Area	Zero (0) per cent of total residential gross floor area

6. The inclusionary unit size and mix by number of bedrooms must be proportional to dwelling units provided elsewhere in the same building, distributed across multiple floors, and finished to the same level as non-inclusionary units.
7. The depth of affordability for an inclusionary unit is as established by the *Development Charges Act*.
8. An inclusionary unit must remain affordable for a period of no less than 25 years, measured from the date of first occupancy of that unit.
9. where an inclusionary unit is sold at market price following the end of the affordability period, the City will receive 50 per cent of the net proceeds of the first sale.
10. Where inclusionary units are required, the approval and issuance of any building permit or the use of any building or lands for development purposes is conditional on:
 - a. demonstration that the owner has entered into an agreement pursuant to the requirements of this section and with section 35.2 of the Planning Act; and
 - b. Demonstration that the agreement has been executed and registered on title.
11. The Agreement referenced in (10) must include:
 - a. the number, size, type and location of the inclusionary units;
 - b. The requirements to maintain the affordability of those inclusionary units for the period prescribed by the Official Plan;
 - c. administration, reporting, and monitoring requirements; and
 - d. any other matter required to implement the inclusionary zoning policies of the Official Plan.
12. This section does not apply where a complete application for an Official Plan Amendment, Zoning By-law Amendment, or Site Plan Control application was filed on or before the date of passage of this By-law.”

2. Amend Section 54 – Definitions by adding the following:

Inclusionary Unit means a dwelling unit provided pursuant to Section 16(4) of the *Planning Act*, where the price or rent is aligned with the definition of an “Affordable Residential Unit” as set out in the *Development Charges Act*.

3. Amend Part 17 – Schedules by adding the following as Schedule YYY

Document 3 – Details of Recommended Zoning to By-law 2026-050

The proposed change to the City of Ottawa Zoning By-law No. 2026-050 to implement Inclusionary Zoning:

1. Add a new Subsection to Part 7 – Housing Provisions as follows:

“X. Inclusionary Units

1. The following provisions apply to development on a lot located within the areas shown on Schedule YYY where new dwelling units are provided, pursuant to the Planning Act and associated regulations as amended.
2. For the purposes of this section;
 - a. an inclusionary unit is a dwelling unit that aligns with the definition of “affordable residential unit” as set out in the *Development Charges Act*, as amended.
 - b. total residential gross floor area refers to the gross floor area of all dwelling units within a development, not including common areas.
3. Any new development or redevelopment identified in (1) must provide inclusionary units where the total development on the lot:
 - b. contains 80 dwelling units or more; or
 - c. has a total residential gross floor area of 6,000 square metres or more.
4. Notwithstanding (3), a development is exempt from providing inclusionary units where:
 - a. The development contains fewer than 80 dwelling units or less than 6,000 square metres of total residential gross floor area; or
 - b. A building or part of a building is used for any of the following uses:
 - i. post-secondary educational institution;
 - ii. residential care facility;
 - iii. group home;
 - iv. shelter;
 - v. retirement home; or
 - c. The development is otherwise exempted by the *Planning Act* or associated regulations, as amended.
5. The number of inclusionary units to be provided will be calculated based on the number of dwelling units or total residential gross floor area in accordance with Table XX.

Table XX: Inclusionary Zoning Set-Aside Rates

Metrics	Set-Aside Rates
Residential Dwelling Units	Zero (0) per cent of total residential units
Residential Gross Floor Area	Zero (0) per cent of total residential gross floor area

6. The inclusionary unit size and mix by number of bedrooms must be proportional to dwelling units provided elsewhere in the same building, distributed across multiple floors, and finished to the same level as non-inclusionary units.
7. The depth of affordability for an inclusionary unit is as established by the *Development Charges Act*.
8. An inclusionary unit must remain affordable for a period of no less than 25 years, measured from the date of first occupancy of that unit.
9. where an inclusionary unit is sold at market price following the end of the affordability period, the City will receive 50 per cent of the net proceeds of the first sale.
10. Where inclusionary units are required, the approval and issuance of any building permit or the use of any building or lands for development purposes is conditional on:
 - a. demonstration that the owner has entered into an agreement pursuant to the requirements of this section and with section 35.2 of the Planning Act; and
 - b. Demonstration that the agreement has been executed and registered on title.
11. The Agreement referenced in (10) must include:
 - a. the number, size, type and location of the inclusionary units;
 - b. The requirements to maintain the affordability of those inclusionary units for the period prescribed by the Official Plan;
 - c. administration, reporting, and monitoring requirements; and
 - d. any other matter required to implement the inclusionary zoning policies of the Official Plan.
12. This section does not apply where a complete application for an Official Plan Amendment, Zoning By-law Amendment, or Site Plan Control application was filed on or before the date of passage of this By-law.”

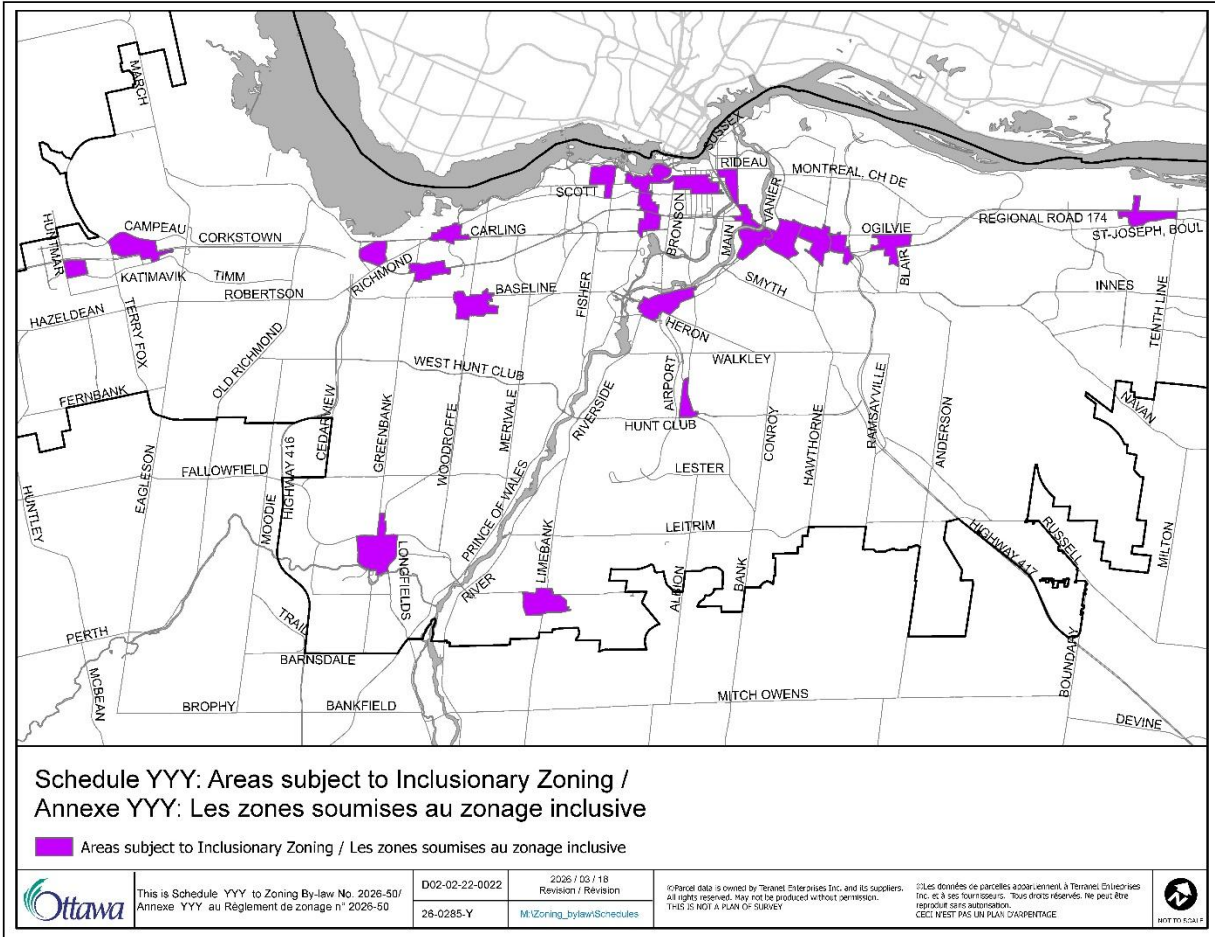
2. Amend Section 199 – Definitions by adding the following:

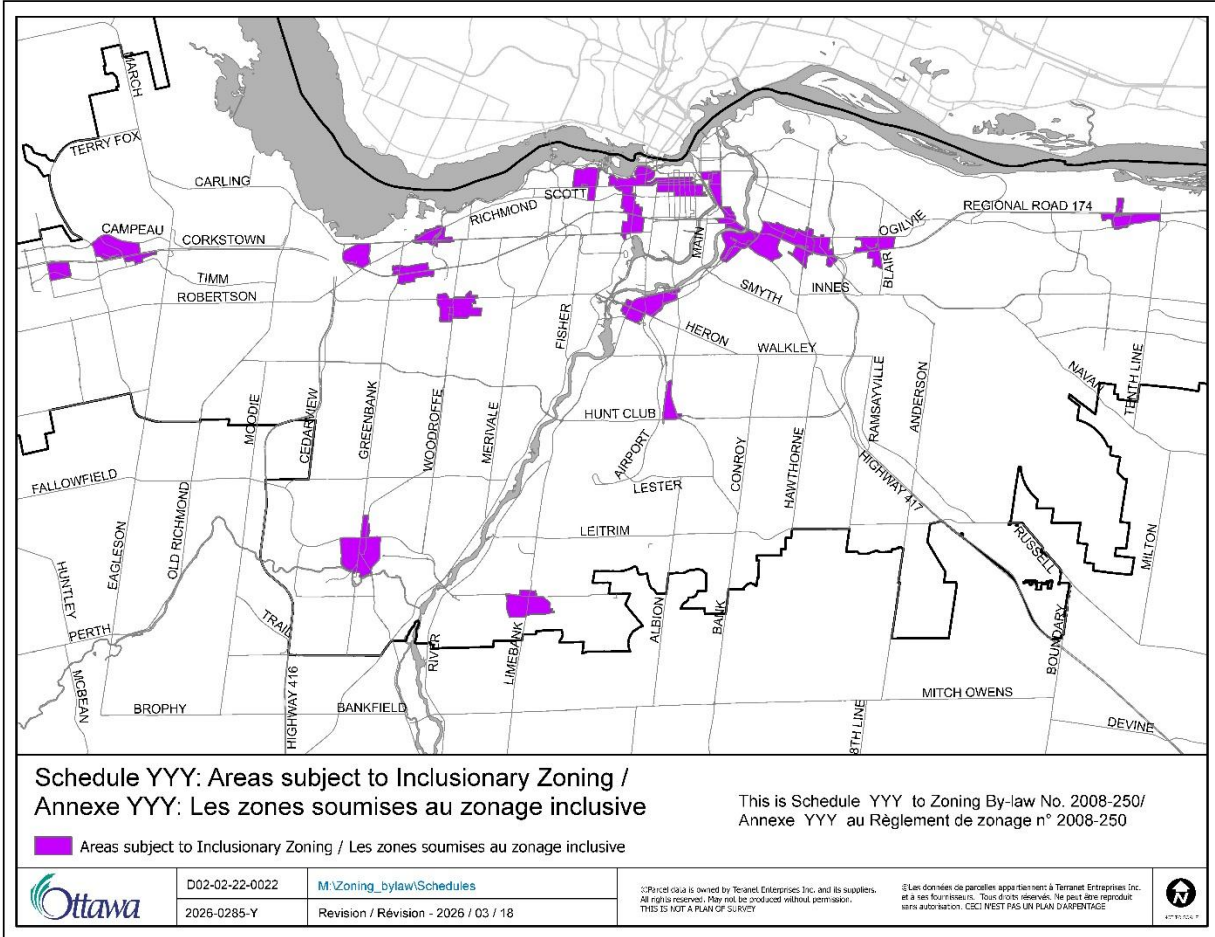
Inclusionary Unit means a dwelling unit provided pursuant to Section 16(4) of the *Planning Act*, where the price or rent is aligned with the definition of an “Affordable Residential Unit” as set out in the *Development Charges Act*.

3. Amend Part 16 – Schedules by adding the following as Schedule YYY

Document 4 – Zoning By-law Schedule YYY

Schedule YYY to be incorporated in By-laws 2008-250 and 2026-050 as identified in item 3 of Document 2 (Details of Zoning Amendment to By-law No. 2008-250) and item 3 of Document 3 (Details of Zoning Amendment to By-law No. 2026-050).





Document 5 – Details of Consultation

The comments received below are a compilation of feedback received from the following:

1. Municipal Peer Interviews (September 2025)
2. Market and Non-Profit Sector Interviews (September-October 2025)
3. 10 Year Housing and Homelessness Open Houses (September 2025)
4. Discussion Paper Public Circulation (January 2026)

Consultations with peer municipalities (Toronto and Mississauga) and housing sector stakeholders (not for profit developers and providers and for-profit developers) focused on policy, operational, administrative, and financial implications associated with Inclusionary Zoning (IZ) for Ottawa.

Public Open Houses in support of the 10 Year Housing and Homelessness Plan were held in various locations across Ottawa. Staff involved in Inclusionary Zoning were present and available for discussion and conversation at these events. A Discussion Paper containing detailed proposals of Ottawa’s potential path towards Inclusionary Zoning was circulated through January to February 2026.

A Public Circulation of the draft By-laws occurred on February 24th, 2026 and comments were requested by March 17th, 2026. The circulation included all Councillors, all registered community organizations, the “Federation of Citizens’ Association” FCA, “Greater Ottawa Home Builders Association” GOHBA, prescribed public bodies, and stakeholders expressing interest in the proposal. In addition to the above, in-person meetings were held with representatives from GOHBA and FCA, and with the FCA Planning and Zoning Committee on March 4th, 2026. Industry and Community organizations sent final comments on March 17th, 2026.

Major themes, comments received and how staff have addressed these in this report package are provided below.

Category	What We Heard	Staff Response
Purpose of IZ & the 0% Set-Aside Rate	Municipalities: Policy reviews are underway to reflect provincial	Staff note the city must establish the policy and regulatory framework in

	<p>changes and current market conditions.</p> <p>Public: Community participants question the value of a 0% set-aside and public value capture from transit-oriented rezonings, urge the City to consider a shorter transition period for future rate increases, and noted that IZ primarily serves moderate-income households (4th–6th deciles) and not those in most urgent housing need.</p> <p>Industry: Industry Supports 0% given weak feasibility, and requests clarity on future activation timing.</p>	<p>advance of enacting IZ per the Planning Act and O. Reg. 232/18. Staff advise that zero (0) per cent is recommended and was chosen due to current market conditions and in alignment with the assessment. Any IZ activation requires a new market assessment, public report, and Council approval. Staff are recommending that activation of IZ be considered only when feasibility and housing-need thresholds are met.</p>
<p>Status and Implementation</p>	<p>Municipalities: IZ policies are in effect with transition periods, but no units are fully secured to date.</p> <p>Industry: Industry highlighted weak PMTSA market conditions and expressed interest in future market assessments by taking a more detailed sub-market approach. There is concern Council could impose a non-zero rate before the next assessment. Industry has requested formal consultation to accompany future market assessments.</p> <p>Public: Community associations requested more transparency on feasibility assumptions and the trigger framework for future IZ activation. Community groups were supportive of clearer activation</p>	<p>Staff note the market assessment did not support immediate activation and have proposed a reassessment in two years. Staff do not recommend an automatic trigger; Council approval is needed. Staff have proposed adopting a clear, generous transition schedule intended to avoid retroactive application and minimize administrative change during active approvals. Staff will engage with both the community and industry through development of the</p>

	<p>metrics and transition timelines and supported biennial reporting to Council.</p> <p>Both industry and the public sought more clarity on activation metrics and transition timelines.</p>	<p>implementation guidelines and for future assessments.</p>
Affordability Definitions & Targeting	<p>Municipalities: Definitions vary: some use income-based thresholds (30th–60th percentile); others tie affordability to CMHC Average Market Rent. Emphasis on 1-bedroom or larger units; bachelors largely discouraged.</p> <p>Industry: Not-For-Profits (NFPs) can work with 90–100 per cent of AMR but note the limits of AMR as a proxy for income; developers view provincial affordability definitions as challenging due to the delta between AMR and full market value.</p> <p>Public: Expressed concern that IZ does not serve lowest-income (1–3 deciles) and mainly targets moderate-income (4th–6th deciles).</p>	<p>Staff propose to align with the provincial definition to maximize existing exemptions for DC, CILP and CBC. This also offers opportunity to align affordability definitions across City programs. Staff propose a proportional mix of units to meet needs while recognizing delivery feasibility.</p>
Long-Term Affordability & Public Value	<p>Public: Community associations expressed concerns about the 25-year affordability limit and whether it could be extended. Concerns were also expressed about long-term value capture and ensuring the community was getting back social value from development near transit. Questions were also raised about IZ’s role within the City’s broader affordability tools.</p> <p>Industry: Prefers incentive-driven, site-specific partnerships (e.g., CMHC/Build Canada Homes) over</p>	<p>Staff note that the affordability term limit of 25 years is the maximum set by O. Reg. 232/18 and cannot be extended. Staff note that the IZ policy framework provides a baseline to build on and supports other programs and is not a stand-alone program in itself – the City is continuing to explore non-profit ownership models and</p>

	blanket requirements, and cited partnership models as more effective in delivering market-supplied affordable housing.	voluntary agreements that can all build from IZ. IZ complements broader affordable housing tools as part of the “toolkit” Council has available. Staff note that work involved in the guidelines could help clarify how long-term public value is evaluated alongside other tools.
Policy Structure & Guidance	<p>Municipalities: Core IZ requirements are embedded in OP and Zoning; operational details in Implementation Guidelines (in place or being drafted).</p> <p>Industry: Strong preference for simple, clear, predictable processes; avoid standalone or onerous agreements; integrate with Site Plan where possible. Industry notes and acknowledges the policy supports a Site Plan third-party agreement pathway for IZ units and off-site delivery.</p>	<p>Staff propose to place technical details in follow-on guidelines for flexibility and ease operational changes as required, with the intent to keep by-law requirements clear and minimal and streamline legal instruments.</p> <p>Guidelines will include templates and steps for Site Plan agreements and off-site/consolidation pathways.</p>
Administration & Long-Term Management	<p>Municipalities: Small, scattered unit counts create management inefficiencies; some municipalities are exploring centralized access systems and partnerships. Other cities are doing income testing at initial occupancy only.</p> <p>Industry: Concerns were raised about administrative complexity. Industry prefers landlords or designated providers assigned to manage income testing and reporting.</p>	<p>Staff propose to manage scale by requiring a building to have at least 80 units before IZ would apply, and to allow for opportunity for a non-profit to “stack” off-site units together from separate market sites to make for a more viable and managed building. Staff propose to develop simple compliance mechanisms as part of the</p>

	<p>Predictable tenant selection and guideline-based rules were emphasized. NFPs are willing to manage procured IZ units at scale (e.g., 20–50+ units or whole floors/buildings) but find small unit counts very challenging.</p> <p>Purpose-built rental operators prefer in-house management. Compliance is not a concern provided the City keeps it simple and reasonable. Industry requests landlord control over tenant qualification and proposes audit/certified rent rolls and income docs at initial occupancy.</p> <p>Public: Wants accountability and outcomes reporting, and requests that community associations be active partners in biennial review of housing-need indicators.</p>	<p>guideline’s development. Further consultation with industry and the community will be included in development of the implementation guidelines.</p>
<p>Off-site Provision & Flexibility</p>	<p>Municipalities: Other cities allow off-siting of IZ units subject to criteria (better outcomes, proximity within the same PMTSA, synchronized delivery, zoning compliance) to consolidate units and improve manageability.</p> <p>Industry: NFPs support off-site if it enables scale but this may come at the risk of a loss of “inclusion.” Developers value having more options to achieve outcomes, especially for condo projects. Industry expressed preference for Site Plan-secured third-party agreements vs rezoning.</p>	<p>Staff propose to permit off-site units with clear criteria to ensure that favourable outcomes are achieved. This can include more affordable units, deeper affordability, or other positive outcomes. A key objective will be to protect inclusionary housing mixes where feasible. The guidelines will clarify the Site Plan agreement pathway and decision criteria.</p>

<p>Financial Viability & Incentives</p>	<p>Municipalities: Set-asides (e.g., 5 per cent) can limit uptake without some kind of offsetting framework accompanying it; there is understanding that market conditions are challenging.</p> <p>Industry: Developers emphasized the need for incentives and offsets - DC/CBC relief, tax reductions, expedited approvals. There was strong support for flexible pathways such as consolidation, off-site, land/cash contributions. Developers see a 5 per cent set-aside as direct revenue loss and would like to see meaningful offsets and incentives (e.g., TIEGs, density, fee waivers, CBC reductions) to maintain viability. Industry requests offsets be in place before any future rate increase takes effect.</p>	<p>Staff propose to pair IZ with predictable, easy-to-access incentives and financing tools to protect housing starts beginning with ensuring IZ aligns with the exemption frameworks that are already available under provincial law. Staff note that cash-in-lieu for IZ units is specifically prohibited under provincial law. Any future rate change will include offset analysis, stakeholder consultation, and transition timing.</p>
<p>Unit Mix & Family-Sized Housing</p>	<p>Municipalities: Other cities have put a priority on 1-bedroom and larger units. Bachelor units are excluded to better match moderate-income needs.</p> <p>Industry: Industry prefers smaller units to limit project impact. NFPs emphasize including 2- and 3-bedrooms to support families and inclusion near transit. Objects to prescriptive unit rules (multi-floor distribution, strict bedroom proportionality); supports equivalent finishes.</p>	<p>Staff have proposed a proportional mix of IZ units that must match what the market building is providing for all units as the baseline. This balances inclusion goals with feasibility. Guidelines will consider flexibility where improved outcomes are demonstrated (e.g., supportive housing partnerships) and staff will monitor for future adjustments to policy if needed.</p>

Monitoring & Compliance	<p>Municipalities: Other cities use guidelines to define roles (developer provides data; municipality monitors via rent rolls/ownership events).</p> <p>Industry: Compliance is not a major burden if requirements are simple and leverage existing reporting (e.g., funding program reporting). Preference is for audit-based compliance using rent rolls/income verification.</p> <p>Public: Supports biennial monitoring/reporting but wants clear indicators to measure housing need and track development flight. Community involvement was emphasized.</p>	<p>Staff propose to develop and standardize light, annual reporting and avoid duplicative submissions by consolidating agreements where possible into a single instrument. Biennial reports are required by law, and will summarize feasibility, housing-need indicators and supply outcomes near transit.</p>
-------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Document 6

Housing Market Assessment, (NBLC 2025) attached as a supporting document.

Document 7

Housing Market Assessment Peer Review, (UrbanMetrics, 2025) attached as a supporting document.

Document 8 – Criteria Evaluation Table

Policy and regulatory criteria evaluation table from Dillon Consulting Ltd. 2026 identifying alignment of proposed policy and regulatory text with Ontario Regulation 232/18 and *Planning Act* requirements, attached as a supporting document.