



urban  
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# OTTAWA INCLUSIONARY ZONING

Peer Review

Ottawa, Ontario

Prepared for City of Ottawa

October 1, 2025



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October 1, 2025

David Wise  
City of Ottawa  
110 Laurier Avenue West  
Ottawa, ON K1P 1J1

Dear David Wise:

RE: **Ottawa Inclusionary Zoning** – Peer Review (Ottawa, Ontario)

urbanMetrics inc. is pleased to submit this peer review of the Inclusionary Zoning Assessment Report conducted by Dillon Consulting and NBLC. In general, we have found that the assumptions and findings of the report are reasonable and consistent with the methodologies utilised in Inclusionary Zoning studies undertaken in other Ontario municipalities.

It has been our pleasure completing this report on your behalf. Please contact us if you have any questions or concerns.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Rowan Faludi". The signature is fluid and cursive.

Rowan Faludi, CMC, MCIP, RPP, PLE  
Partner  
**urbanMetrics inc.**

A handwritten signature in black ink that reads "Bohan Li". The signature is fluid and cursive.

Bohan Li, Ph.D.  
Project Manager  
**urbanMetrics inc.**

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# 1 Executive Summary

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- As per the requirements of the Planning Act and Regulation 232/18, in order to enact an inclusionary zoning by-law, a municipality must prepare an assessment report, which addresses a number of issues, including: an analysis of impacts on the housing market and an analysis of financial viability of development and redevelopment resulting from inclusionary zoning.
- The regulations require that the impact and financial viability analysis be subject to a peer review by an independent and qualified person.
- As per the requirements of the Act and Regulation, urbanMetrics has conducted a peer review of the Inclusionary Zoning Assessment Report (“the Report”) dated June 13, 2025, conducted by Dillon Consulting and NBLC.
- Overall, we have found the methodology and findings of the report to be sound and consistent with similar analyses conducted in other municipalities considering the implementation of Inclusionary Zoning. The Report uses a valid methodology, and the assumptions are broadly reasonable. The findings of the Report are in line with general sentiment in the industry.
- As part of our peer review we considered all of the assumptions which were used by Dillon and NBLC in their feasibility assessment, including: the prototype developments, design assumptions, project revenues, project costs (hard and soft), interest rates, development timing and phasing, inflation, and others.
- While we did note some minor items which we feel could be modified to improve the accuracy of the report, these changes would have no bearing on the conclusions or principal findings of the report.
- Overall, we would support the opinion contained in the Dillon and NBLC study that:

*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.*

- Similarly, we would concur with the ultimate conclusion of the report that:

*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 adapt to evolving market conditions, thereby encouraging, rather than deterring, the development of much needed housing.*

- In conclusion, we have undertaken a detailed peer review of the financial analysis conducted by the consultants and have found no significant issues which cause us to question their findings. The approach and methodology are reasonable and consistent with those used to evaluate Inclusionary Zoning in other Ontario municipalities.

## 2 Résumé

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- Conformément aux exigences de la *Loi sur l'aménagement du territoire et du Règlement 232/18* lorsqu'il s'agit de promulguer un règlement de zonage d'inclusion, une municipalité doit élaborer un rapport d'évaluation abordant un certain nombre de questions : analyse des répercussions sur le marché du logement, analyse de la viabilité financière des travaux d'aménagement ou de réaménagement par suite du zonage d'inclusion.
- La réglementation exige que l'analyse des répercussions et l'analyse de la viabilité financière soient soumises à un examen par un pair indépendant et qualifié.
- Conformément aux exigences de la Loi et de la réglementation, la firme urbanMetrics a procédé à l'examen du rapport d'évaluation du zonage d'inclusion (« le rapport ») daté du 13 juin 2025 et rédigé par Dillon Consulting et NBLC.

- Dans l'ensemble, nous avons constaté que la méthodologie et les conclusions du rapport étaient solides et cohérentes avec des analyses similaires menées dans d'autres municipalités envisageant la mise en œuvre du zonage inclusif. Le rapport utilise une méthodologie valide et les hypothèses sont globalement raisonnables. Les conclusions du rapport correspondent à l'opinion générale observée dans le domaine.
- Dans le cadre de notre examen par un pair, nous avons tenu compte de toutes les hypothèses avancées par Dillon et NBLC dans leur évaluation de faisabilité : développements de prototypes, hypothèses de conception, les recettes du projet, les coûts du projet (essentiels et accessoires), les taux d'intérêt, le calendrier et les phases de développement, l'inflation, etc.
- Bien que nous ayons relevé quelques points mineurs qui, selon nous, pourraient être modifiés afin d'améliorer la précision du rapport, ces changements n'auraient aucune incidence sur les conclusions ou les principaux résultats du rapport.
- Globalement, nous souscrivons à l'avis exprimé dans l'étude de Dillon et NBLC :

*Les conclusions et l'analyse présentées dans ce rapport dépeignent un marché particulièrement difficile 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.*

- De la même manière, nous souscrivons à la conclusion définitive du rapport :

*Bien que la mise en œuvre immédiate d'un zonage d'inclusion assorti de montants mis en réserve obligatoires substantiels sans compensation soit difficile, les périodes de ralentissement du marché peuvent être propices à l'élaboration de politiques. Lorsque le marché rebondira, la Ville d'Ottawa, qui dispose d'une structure cadre du ZI réfléchi, 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.*

- En conclusion, nous avons procédé à un examen approfondi par des pairs de l'analyse financière réalisée par les consultants, et n'avons relevé aucun problème majeur qui nous amènerait à remettre en question leurs conclusions. L'approche et la méthodologie adoptées sont raisonnables et conformes à celles utilisées pour évaluer le zonage d'inclusion dans d'autres municipalités de l'Ontario.

## 3 Introduction

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The City of Ottawa is exploring the feasibility of implementing Inclusionary Zoning (IZ) into its Major Transit Station Areas (MTSAs).

We conducted a peer review of the Inclusionary Zoning Assessment Report (“the Report”) dated June 13, 2025, conducted by Dillon Consulting and NBLC. We reviewed the assumptions behind the report for reasonability. We further replicated the general findings behind the report.

Overall, we believe the methodology and findings of the report are sound. The Report uses a valid methodology, and the assumptions are broadly reasonable. The findings of the Report are in line with general sentiment in the industry.

We have some minor items to discuss, which are listed below. While these may be considered, we believe these would not materially affect the validity of the report.

### 3.1 Findings

We have classified the issues into three priority categories:

- **High:** We have strong concerns about the item and its potential to materially affect the findings of the report, and we highly recommend an adjustment.
- **Medium:** We believe the item may be reasonable, but there may also be reasons to consider using alternate assumptions that could have a material impact on the results. Alternatively, we believe another assumption would be more reasonable but would likely not materially impact the results. We

recommend reviewing the item but would have no objections if the original is retained.

- **Low:** These items are likely to be reasonable and changing them would likely not materially impact the results, but there may be room to adjust these items to increase precision and accuracy.

## High

None

## Medium

Evaluation Criterion (Medium)

Revenue Inflation (Medium)

## Low

Sale Prices and Rent (Low)

GST Rebate for Condos (Low)

Construction Periods (Low)

# 4 Review

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We reviewed the assumptions and financials behind the Inclusionary Zoning Assessment Report.

Overall, we found the methodology and assumptions in the Report to be reasonable. The Report's findings were verified with our in-house pro-forma model and were found to be reasonable. While we have some minor recommendations, we have no major concerns with the Report.

From our review, it is our opinion that the main findings of the Report are reasonable. The market for development is currently challenging, and IZ may not be sustainable at this current time in Ottawa. However, the potential for IZ may be

re-evaluated as market conditions improve. Alternatively, an IZ policy may be implemented with a delay in when it is put in force to allow time for the market to improve.

## 4.1 Overall Methodology

### Evaluation Criterion (Medium)

In our review of the Report, we did not find a clear criterion for evaluating the market impact of Inclusionary Zoning. While there is a discussion of how land values factor into the RLV analysis, the Report does not seem to state the threshold at which IZ would be deemed to have an impact on the market.

Several evaluation criteria can be used for IZ Impact Assessments. Inclusionary Zoning policies could be deemed to have a market impact if it reduces land values below the current benchmark land values. Alternatively, it may be possible that land values have room to fall while still allowing transactions to proceed. In this case, IZ may be deemed impactful if land values would fall below benchmarks by a certain percentage (e.g., 10%). Finally, IZ may be deemed impactful if it would reduce land values below the value of the existing use, which acts as a floor for land values that would induce a sale.

In the context of the Report, this omission has a minor impact as the calculated base-case RLV's were negative. No matter which evaluation criteria is used, the overall finding that current market conditions are challenging for residential development would remain the same. We believe it would be ideal to clearly state how the impact of IZ should be evaluated, but we understand there may also be advantages in flexibility to defining this only when market conditions improve.

## 4.2 Revenue Assumptions

### Sale Prices and Rent (Low)

We sampled resale and rent prices using MLS and rental listings for 1-bedroom and 2-bedroom units in buildings completed over the past 10 years, prioritizing buildings completed more recently. Overall, we found that the rents seemed close

to the benchmark rents used in the model, but resale prices were usually lower than the benchmark prices assumed in the model (when averaged across 1-bedroom and 2-bedroom units, which are the most common unit types).

### Condominium Price Per Square Foot

| Sale \$/SF  | Model | 1 Bedroom | 2 Bedroom |
|-------------|-------|-----------|-----------|
| Downtown    | \$875 | \$718     | \$615     |
| Inner Urban | \$850 | \$654     | \$652     |
| Outer Urban | \$600 | \$584     | \$417     |
| Suburban    | \$550 | \$575     | \$466     |

### Rental Apartment Rent Per Square Foot

| Rent \$/SF  | Model  | 1 Bedroom | 2 Bedroom |
|-------------|--------|-----------|-----------|
| Downtown    | \$3.75 | \$3.65    | \$3.23    |
| Inner Urban | \$3.50 | \$3.57    | \$3.47    |
| Outer Urban | \$3.00 | \$3.05    | \$2.39    |
| Suburban    | \$2.90 | \$3.45    | \$2.81    |

The prices of new apartments would likely be higher than those of existing apartments. Still, as discussed in the Report, resale prices of existing apartments will limit the prices of new apartments that the market will bear.

Given these findings, it may be worth evaluating whether the price assumptions should be revised downwards. Still, the higher sale prices used by the model may be reasonable, especially as they pertain to new construction. Additionally, the use of lower sale prices would only reduce the viability of the developments, which would only reinforce the findings of the Report.

### Revenue Inflator (Medium)

The Report assumes a 3% annual increase in rents and sale prices. This is higher than the assumed 2.5% annual increase in costs. However, it's unclear to us that revenues should be expected to increase faster or slower than costs in the current market environment.

We would recommend using the same inflation rate for all revenues and costs in the model. Still, this would likely not have a large impact on the results, given the small magnitude of the change.

## 4.3 Cost Assumptions

### GST Rebate for Condos (Low)

Recently, the Federal government enacted a 100% GST rebate for first-time homebuyers of homes up to \$1 million, decreasing for homes above that sale price and phasing out for homes over \$1.5 million.

The model assumes a maximum rebate of \$24,000 for HST/GST, which does not include this new exemption. This is reasonable as a significant fraction of the demand would not be first-time homebuyers, and it's unclear if the exemption will be maintained in the future. Still, it may be worth considering a larger HST rebate.

### Construction Periods (Low)

The model assumes a 2.5-year construction period for the 6-storey apartments. This seems high, in relation to the 3-year construction period for the 30-storey apartments and a 3.5-year construction period for the 55-storey apartments. There would likely be a slightly greater difference in the construction periods for these buildings of very different heights. However, these assumptions are not likely to have major implications for the findings.

# 5 Conclusion

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In conclusion, we have undertaken a detailed peer review of the financial analysis conducted by the consultants and have found no significant issues which cause us to question their findings. The approach and methodology are reasonable and consistent with those used to evaluate Inclusionary Zoning in other Ontario municipalities.